

THUNDERBIRD ENTERTAINMENT

Thunderbird Entertainment Group Inc.

Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023



Independent auditor's report

To the Shareholders of Thunderbird Entertainment Group Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Thunderbird Entertainment Group Inc. and its subsidiaries (together, the Company) as at June 30, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at June 30, 2024 and 2023;
- the consolidated statements of operations and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended June 30, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of goodwill</p> <p><i>Refer to note 3 – Summary of material accounting policies and note 7 – Goodwill and intangible assets to the consolidated financial statements.</i></p> <p>As at June 30, 2024, the Company had goodwill of \$12.4 million. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Goodwill is allocated to a cash generating unit (CGU), or group of CGUs, which is the lowest level within an entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Impairment is tested by comparing the recoverable amount of goodwill assigned to the CGU's carrying value. An impairment loss is recognized if the carrying value of the CGU exceeds its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value-in-use. The entire goodwill balance has been allocated to the film and television production and distribution segment (production entities segment) and is being tested annually on June 30. The recoverable amount of the production entities segment was determined by management using the value-in-use (VIU) method. The VIU of the production entities segment was determined based on a discounted cash flow model by discounting a two-year cash flow forecast presented to the Board of Directors, extended for three additional years using historical and forecasted revenue growth rates, for a total forecast period of five years. Cash flows beyond the five-year period were</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Evaluated how management determined the recoverable amount of the production entities segment, which included the following:<ul style="list-style-type: none">– Evaluated the appropriateness of the VIU method and tested the mathematical accuracy of the discounted cash flow model.– Tested the underlying data used in the discounted cash flow model.– Evaluated the reasonableness of the forecasted revenue growth rates, by; (i) considering the budget approved by the Board of Directors, and current and past performance of the production entities segment and by considering the consistency with available third party published industry data; and (ii) comparing future revenues to signed agreements, as applicable.



extrapolated using a terminal growth rate. The discounted cash flow model reflects management's best estimate of assumptions including the significant assumption for forecasted revenue growth rates. No impairment was recognized as a result of the impairment assessment.

We considered this a key audit matter due to the subjectivity and complexity in performing procedures to test the significant assumption used by management in determining the recoverable amount of the production entities segment, which involved significant judgment from management.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Anne Tauber.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
October 9, 2024

THUNDERBIRD ENTERTAINMENT GROUP INC.
Consolidated Statements of Financial Position

<i>(in thousands of Canadian dollars)</i>	<i>Notes</i>	As at June 30, 2024	As at June 30, 2023
ASSETS			
Current			
Cash and cash equivalents	17	\$ 25,216	\$ 25,364
Trade receivables and other	4	74,234	105,112
Lease receivable	10	78	-
Income taxes recoverable		2,742	3,039
		102,270	133,515
Non-current			
Long-term trade receivables and other	4	2,106	2,528
Investment in content	5	26,486	31,414
Deferred tax assets		8,516	8,968
Property and equipment	6	20,681	26,621
Goodwill and intangible assets	7	12,538	12,808
Total Assets		\$ 172,597	\$ 215,854
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		\$ 38,700	\$ 37,760
Income taxes payable		1,553	996
Interim production financing	8	19,818	50,387
Deferred revenue	14	17,682	30,381
Current portion of lease obligations	10	4,592	5,333
Redeemable preferred shares	11	367	367
		82,712	125,224
Non-current			
Long-term lease obligations	10	15,422	18,769
Deferred tax liabilities		5,170	5,191
Total Liabilities		103,304	149,184
Shareholders' Equity			
Preferred shares	11	52	52
Common shares	12	71,260	71,147
Accumulated other comprehensive income		258	149
Contributed surplus		5,425	5,016
Deficit		(7,702)	(9,694)
Total Shareholders' Equity		69,293	66,670
Total Liabilities and Shareholders' Equity		\$ 172,597	\$ 215,854

Commitments and Contingencies - Note 19

Approved on behalf of the Board:

"Jennifer Twiner McCarron"

Jennifer Twiner McCarron, Chair

"Lisa Coulman"

Lisa Coulman, CPA, CA; CPA (Illinois), Audit Chair

See accompanying notes to the consolidated financial statements.

THUNDERBIRD ENTERTAINMENT GROUP INC.

Consolidated Statements of Operations and Comprehensive Income (Loss)

<i>(in thousands of Canadian dollars except for share data)</i>	Notes	Year ended June 30,	
		2024	2023
Revenue	14	\$ 165,323	\$ 166,730
Expenses			
Direct operating	21	127,795	129,792
Distribution and marketing		951	1,249
General and administrative	21	21,468	25,922
Share-based compensation	12	739	834
Amortization of property and equipment and intangible assets	21	9,083	13,255
Finance costs, net	22	1,536	2,452
Foreign exchange loss		1	25
Loss on termination of leases		40	-
Gain on disposal of property and equipment		(29)	-
		161,584	173,529
Income (loss) before income taxes		3,739	(6,799)
Income tax expense (recovery)		1,361	(1,788)
Net income (loss) for the year		2,378	(5,011)
Other comprehensive income (loss)			
Items that may be subsequently reclassified to net income (loss)			
Foreign currency translation adjustment		109	(45)
		109	(45)
Comprehensive income (loss) for the year		\$ 2,487	\$ (5,056)
Basic income (loss) per share	12	\$ 0.048	\$ (0.101)
Diluted income (loss) per share	12	\$ 0.046	\$ (0.101)

See accompanying notes to the consolidated financial statements.

THUNDERBIRD ENTERTAINMENT GROUP INC.
Consolidated Statements of Changes in Shareholders' Equity

<i>(in thousands of Canadian dollars)</i>	<i>Notes</i>	Preferred shares	Common shares	Accumulated other comprehensive income	Contributed surplus	Deficit	Total
Balance at June 30, 2022		\$ 52	\$ 69,397	\$ 194	\$ 4,863	\$ (4,683)	\$ 69,823
Comprehensive loss		-	-	(45)	-	(5,011)	(5,056)
Share-based compensation	12	-	-	-	682	-	682
Exercise of options	12	-	1,750	-	(529)	-	1,221
Balance at June 30, 2023		52	71,147	-	149	(9,694)	66,670
Comprehensive income		-	-	109	-	2,378	2,487
Share-based compensation	12	-	-	-	711	-	711
Purchase of common shares under Normal Course Issuer Bid	12	-	(844)	-	-	(386)	(1,230)
Exercise of options	12	-	957	-	(302)	-	655
Balance at June 30, 2024		\$ 52	\$ 71,260	\$ 258	\$ 5,425	\$ (7,702)	\$ 69,293

See accompanying notes to the consolidated financial statements.

THUNDERBIRD ENTERTAINMENT GROUP INC.
Consolidated Statements of Cash Flows

<i>(in thousands of Canadian dollars)</i>	<i>Notes</i>	Year ended June 30,	
		2024	2023
OPERATING ACTIVITIES			
Net income (loss) for the year		\$ 2,378	\$ (5,011)
Items not involving cash:			
Amortization of investment in content	5	20,090	26,799
Amortization of property and equipment	6	1,734	2,047
Amortization of right-of-use assets	6	7,079	10,938
Amortization of intangible assets	7	270	270
Share-based compensation	12	739	834
Deferred income taxes expense (recovery)		431	(1,815)
Unrealized foreign exchange loss		28	363
Gain on disposal of property and equipment		(29)	-
Loss (gain) on termination and modifications of leases		40	(1)
Impairment of development costs	5	131	994
Changes in non-cash working capital	20	17,283	(863)
Investment in content		(12,501)	(21,373)
Cash flows provided by operating activities		37,673	13,182
FINANCING ACTIVITIES			
Repayment of interim production financing	20	(54,081)	(44,198)
Proceeds from interim production financing	20	23,487	37,157
Repayment of obligations under leases	20	(6,658)	(10,639)
Proceeds from exercise of share options	12	655	1,221
Purchase of common shares under Normal Course Issuer Bid	12	(1,230)	-
Cash flows used in financing activities		(37,827)	(16,459)
INVESTING ACTIVITIES			
Purchase of property and equipment		(456)	(1,810)
Proceeds of disposal of property and equipment		16	70
Cash flows used in investing activities		(440)	(1,740)
Effect of exchange rate changes on cash and cash equivalents		446	203
Net decrease in cash and cash equivalents during the year		(148)	(4,814)
Cash and cash equivalents, beginning of year		25,364	30,178
Cash and cash equivalents, end of year		\$ 25,216	\$ 25,364

See accompanying notes to the consolidated financial statements.

THUNDERBIRD ENTERTAINMENT GROUP INC.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

(in thousands of Canadian dollars, except for amounts per share and as noted)

1. NATURE OF BUSINESS

Thunderbird Entertainment Group Inc. (the “Company”), the ultimate parent, and its primary wholly owned subsidiaries: Thunderbird Entertainment Inc.; Great Pacific Media Inc.; and Atomic Cartoons Inc., are an integrated group of companies that develop, produce, and distribute film and television programming for domestic and international markets. As an independent distribution company, the Company also acquires and licenses distribution rights. Thunderbird Entertainment Group Inc. is incorporated under the laws of British Columbia, Canada. The Company’s head office is located at 123 West 7th Avenue, Vancouver, B.C., V5Y 1L8.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on October 9, 2024.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars (“CA\$”) which is also the Company’s functional currency.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied by the Company and its subsidiaries to all periods presented.

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries. The Company’s principal wholly owned subsidiaries as at June 30, 2024, were Thunderbird Entertainment Inc., Great Pacific Media Inc. and Atomic Cartoons Inc. and subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. All intercompany transactions and balances have been eliminated upon consolidation.

(b) Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and for the periods presented. 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. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. Actual results may differ materially from these estimates. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

Investment in content

The costs of acquiring and producing film and television programs are capitalized, net of federal and provincial program contributions earned and amortization. The estimate of declining balance amortization rates used by the Company depends on management’s judgment and assumptions concerning the economic useful life of the program, which is based on the pattern of historical experience and other factors. Fluctuations in the expected economic useful life could have a significant effect on net income.

THUNDERBIRD ENTERTAINMENT GROUP INC.

Notes to the Consolidated Financial Statements

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(in thousands of Canadian dollars, except for amounts per share and as noted)

When an indication of impairment is observed, in assessing the valuation of investment in content, the discounted cash flow model reflects the best estimate of key assumptions which include forecasted future net revenues, expenses and discount rates. Significant judgment is applied when assessing forecasted future net revenues based on sales projections net of distribution and other costs.

Leases

The application of IFRS Accounting Standards 16 requires the Company to determine the lease term which may include an option to renew if it is reasonably certain to be exercised. After the commencement date, the Company reassesses the lease term for whether a significant event or change in circumstances that is within its control and affects its ability to exercise (or not exercise) the option to renew (e.g. a change in business strategy) has occurred. In addition, the valuation of the lease liability requires a discount rate to be selected.

Revenue when performance obligations are satisfied over time

Revenues recognized when performance obligations are satisfied over time, requires the Company to estimate the work performed to date as a proportion of the total work to be performed. Estimated costs-to-complete, percentage-of-completion estimates, and revenues recognized are reviewed monthly on a contract-by-contract basis. The impact of any revisions in costs and earnings estimates is reflected in the period in which the revision becomes known.

Impairment of non-financial assets

Intangible assets and goodwill are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of measuring recoverable amounts, assets are grouped into cash generating units ("CGUs"). The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use, being the present value of the expected future cash flows of the CGU. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The key assumptions used to determine the fair value less costs of disposal and value-in-use of the CGU are disclosed and further explained in note 7.

(c) Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into the functional currency at exchange rates in effect at the transaction dates. Foreign currency monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the consolidated statement of financial position date. Translation gains and losses are included in net income.

Foreign operations

The Company has operations in the United States ("U.S.") transacted via U.S. subsidiaries. The functional currency of its U.S. subsidiaries is U.S. Dollars ("USD"). The foreign currency denominated assets and liabilities are translated to Canadian dollars at exchange rates prevailing at the consolidated statement of financial position date, while revenue and expenses are translated using the average rate during the year. Shareholders' equity is translated at historical cost. Foreign currency differences are recognized in other comprehensive income (loss) and in accumulated other comprehensive income in shareholders' equity.

(d) Trade receivables and other

Amounts receivable are non-interest bearing and are generally on 30 to 60-day terms. Therefore, they are stated at their nominal value net of lifetime expected credit losses. Amounts receivable that are collectible within the normal operating cycle are included within current assets, of which the normal operating cycle of the Company can be greater than 12 months. Amounts receivable that are collectible within a period greater than the normal operating cycle are classified as long-term amounts receivable. Refer to note 4.

For trade receivables, the Company applies the simplified approach for determining expected credit losses, which requires it to determine the lifetime expected losses for all of its trade receivables. The expected lifetime credit loss provision for trade receivables is based on historical counterparty default rates and adjusted for relevant forward-

THUNDERBIRD ENTERTAINMENT GROUP INC.

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(in thousands of Canadian dollars, except for amounts per share and as noted)

looking information, as required. Since most of its customers are considered to have low default risk and the historical default rate and frequency of loss are low, the lifetime expected credit loss allowance for trade receivables is nominal as at June 30, 2024 and 2023.

(e) Investment in content

Investment in content is accounted for as an intangible asset and represents the unamortized costs of programs that have been acquired, developed, produced and/or distributed by the Company. Investment in content is classified into the following four categories: development costs, content in production, released content and acquired content. Development costs represent expenditures made on content prior to production which are either transferred once production commences or expensed when the costs are determined not to be recoverable. For content in production and released content, capitalized costs include all direct production, overhead and financing costs incurred during production that are expected to benefit future periods, net of government assistance from various federal and provincial government sources, and net of equity investment by third parties that acquire participation rights. For acquired content, capitalized costs consist of minimum guarantee payments paid to the producer to acquire distribution rights.

The Company's policy is to amortize released content using a declining balance method at rates ranging from 50% – 99% in the year that the episodes have been delivered and the license term commences and at rates ranging from 5% – 10% annually for the following two years. Thereafter released content is amortized on a straight-line basis over seven years. Acquired content is amortized on a straight-line basis over five years. Investment in content that is determined to have limited benefit in future periods is fully amortized in the first year.

The valuation of investment in content, including acquired rights, is reviewed quarterly for impairment for events or changes in circumstances that indicate the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use, being the present value of the expected future cash flows of the asset (discounted cash flow model). For each investment in content with an indicator of impairment, management calculates the recoverable amounts using the value-in-use model method. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and any portion of the unamortized amount that appears not to be recoverable from future net revenues is recognized as an impairment loss through accelerated amortization within direct operating expenses during the period the loss becomes evident.

(f) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization of the assets' costs less estimated residual value is recognized over the estimated service lives of the assets using the following rates and methods:

Computer software	Two years straight line
Computer equipment	55% declining balance
Furniture and equipment	35% - 55% declining balance
Leasehold improvements	Over the lease term or useful life, whichever is shorter
Vehicles	40% declining balance

Residual values, method of amortization and service lives of the assets are reviewed annually and adjusted if appropriate.

(g) Leases

Right-of-use assets

At the lease commencement date, the Company recognizes a right-of-use asset ("ROU asset") at an amount equal to the lease liability and adjusted to include any prepaid lease payments, less any lease incentives, plus initial direct costs incurred, and any costs of dismantling and restoring an asset to a specific condition. The ROU assets are amortized over a period which is the earlier of the end of the asset's estimated useful life or the end of the lease term.

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Amortization of ROU assets are included in amortization of property and equipment and intangible assets expense in the consolidated statement of operations and comprehensive income and ROU assets are presented as a component of property and equipment in the consolidated statement of financial position.

ROU assets are tested for impairment in accordance with IAS 36, *Impairment of Assets*, which replaces the previous requirement to recognize a provision for onerous lease contracts under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Lease obligations

The lease obligation is initially measured as the present value of the future payments discounted using the rate implicit in the lease. However, if that rate is not readily determinable, the entity's incremental borrowing rate ("IBR") is to be used. An entity's IBR is the rate the Company would have to pay for similar assets at similar locations over a similar term. Subsequent to initial measurement, lease obligations are amortized. Interest charges are reported as part of finance costs in the consolidated statement of operations and comprehensive income and lease obligations are reported as a separate line item in the consolidated statement of financial position.

Subleases

When the Company enters into sublease arrangements as an intermediate lessor, it assesses whether the sublease is classified as a finance sublease or an operating sublease by reference to the corresponding ROU asset arising from the head lease, rather than by reference to the underlying asset. A sublease is a finance sublease if substantially all the risks and rewards incidental to ownership of the related ROU asset on the head lease have been transferred to the sub-lessee.

Lease modifications

A lease modification, depending upon the nature of the modification, will be accounted for as a separate lease or as a remeasurement of the lease liability with a corresponding adjustment to the ROU asset or as a gain or loss if the carrying amount of the ROU asset has been reduced to zero.

Practical expedient

The Company has elected not to apply the requirements of IFRS Accounting Standards 16 to short-term premise and equipment leases with a term of 12 months or less and to certain equipment leases for which the underlying assets are of low value. Lease payments associated with these short-term and low-value leases are recognized as an expense in the consolidated statement of operations and comprehensive income or capitalized to investment in content in the consolidated statement of financial position.

(h) Goodwill and intangible assets

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses and is not subject to amortization. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Goodwill is allocated to a CGU, or group of CGUs, which is the lowest level within an entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Impairment is tested by comparing the recoverable amount of goodwill assigned to the CGU's carrying value. Refer to note 7.

Also included in goodwill and intangible assets are other identifiable intangible assets relating to distribution libraries and customer relationships. These assets are carried at cost, including amounts of purchase price allocations upon acquisitions. Amortization is charged to direct operating expenses in the consolidated statement of operations and comprehensive income on a straight-line basis over the estimated useful lives of the assets.

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Notes to the Consolidated Financial Statements

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(in thousands of Canadian dollars, except for amounts per share and as noted)

The following intangible assets are amortized over the following periods:

Distribution libraries	10 years straight-line
Customer relationships	4 years straight-line

(i) Impairment of non-financial assets

The Company reviews the carrying amounts of its property and equipment and intangible assets at each reporting date to determine whether there is any indication of impairment. If indicators of impairment exist, the recoverable amount of the asset is estimated. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use, being the present value of the expected future cash flows. If the carrying value of the asset exceeds the recoverable amount, the asset is written down with an impairment loss recognized in net income.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(j) Revenue recognition

Revenue from licensing of film and television programs is recognized when the performance obligations under the contract have been achieved and the goods or services have been transferred to the customer, which are normally:

- Persuasive evidence of a contractual arrangement exists;
- The program is complete;
- The contractual delivery arrangements have been satisfied;
- The customer has access to the licensed content and has the contractual right to broadcast or stream the content;
- The fee is fixed or determinable;
- Collection of the fee is reasonably assured; and
- The costs incurred or to be incurred in respect of the contractual arrangement can be measured reliably.

Cash received pursuant to broadcast license fees or distribution advances is recorded as deferred revenue and recognized as revenue at a specific point in time, after all foregoing conditions of revenue recognition have been met.

Revenue from production services for third parties and other revenues where performance obligations are satisfied over time are recognized based upon the proportion of direct costs incurred in the current year to total expected costs as the Company considers this approach to be most reflective of progress towards completion and satisfaction of the production services and other revenues performance obligations. A provision is accrued for the entire amount of future estimated losses, if any, on productions-in-progress.

Gross versus net revenues

The Company evaluates arrangements with third parties to determine whether the Company acts as the principal or agent under the terms of each arrangement. The Company acts as the principal in its arrangements for production services, licensing of content and distribution, and as such, revenues are reported on a gross basis, resulting in revenues and expenses being classified in their respective financial statement line items. Determining whether the Company acts as principal or agent is based on an evaluation of which party has substantial risks and rewards of ownership under the terms of an arrangement. The most significant factors that the Company considers include identification of the primary obligor, general and inventory risk and discretion in establishing prices.

(k) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net income for the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

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Diluted EPS is computed by adjusting the weighted average number of common shares for the effects of dilutive instruments such as convertible securities and share-based options. Dilutive instruments are excluded from the computation if their effect is anti-dilutive.

(l) Finance costs

Interim production financing relates to short-term financing for the Company's film and television productions. Interest payable on interim production financing loans is capitalized and forms part of the cost of production of investment in content until such time as the assets are substantially complete and ready for use.

(m) Share-based compensation

The Company issues stock options which are service based and accounted for as equity-settled awards. The stock options initially vest 25% at the grant date and subsequently vest 25% over the next three anniversary dates as service conditions are met. Obligations for issuance of common shares accrued over the vesting period, using fair values as at the grant date, are recorded as share-based compensation expense with a corresponding increase to contributed surplus. Fair values are determined at issuance using the Black-Scholes option pricing model.

Share-based compensation expense also includes cash or equity settled RSUs. For cash settled RSUs, the fair value of the RSUs is recognized as share-based compensation expense, with a corresponding increase in accrued liabilities over the vesting period, using the graded vesting method. The amount recognized as an expense is based on the estimate of the number of RSUs expected to vest. Cash settled RSUs are measured at their fair value at each reporting period on a mark-to-market basis. Upon vesting of the cash settled RSUs, the liability is reduced by the cash payout.

For equity settled RSUs, the grant date fair value of the RSU is recognized as share-based compensation expense, with a corresponding increase in contributed surplus in equity, over the vesting period. The amount recognized as an expense is based on the estimate of the number of RSUs expected to vest. Equity settled RSUs are measured at their fair value at the grant date, which is based on the market price of the Company's common shares. Upon vesting of equity settled RSUs, the related contributed surplus associated with the RSU is reclassified into share capital.

(n) Fair value measurement

The Company measures financial instruments at fair value at each consolidated statement of financial position date. Fair values of financial instruments measured at amortized cost are disclosed in note 16.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

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For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(o) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions that define the instrument. Financial assets and liabilities are initially recognized at fair value. This initial fair value is normally the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement of the Company's financial instruments depends on their classification determined by the purpose for which the instruments were acquired or issued, their characteristics, and the Company's designation of such instruments as described below.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are measured at fair value with changes in fair value recognized in net income.

Financial assets at amortized cost

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are measured at amortized cost using the effective interest method of amortization. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Cash and cash equivalents and amounts receivable are classified as amortized cost.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest method of amortization. Accounts payable and accrued liabilities, interim production financing, long-term debt and redeemable preferred shares are classified as financial liabilities at amortized cost.

(p) Government financing and assistance

The Company has access to government programs, including refundable tax credits, that are designed to assist film and television production and distribution in Canada. Amounts received or receivable in respect of production assistance are recorded as a reduction of the production costs of the applicable production. Tax credits earned with respect to expenditures on qualifying film and television productions are recorded as a reduction to investment in content when the qualifying expenditures have been incurred and there is reasonable assurance that the credits will be realized. Tax credits earned with respect to production services is recorded as a reduction of the applicable expense item. Refer to note 13.

The Company also accrues for general government assistance programs, providing there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions of the government funding. Non-repayable government assistance relating to current expenses is included in the determination of net income and is included as a decrease to the related line item in the statement of operations and comprehensive income. Repayable government assistance and unspent government assistance is reported in liabilities.

(q) Income taxes

Deferred income taxes

Deferred income taxes are provided using the liability method on the temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. The change in the net deferred income tax asset or liability is included in income except for deferred income tax relating to equity items which is recorded directly in equity. Deferred income tax assets and liabilities are measured using the substantively

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enacted statutory income tax rates which are expected to apply to taxable income in the periods in which the assets are realized or the liabilities settled.

Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Company intends to settle its current tax assets and tax liabilities on a net basis.

(r) Segment reporting

The Company operates production entities and offices in Canada and Los Angeles, U.S.A. The Company's business operates primarily through one operating segment being 'film and television production and distribution'. The operating results of the segment are reviewed by the Company's chief operating decision makers. The Company has determined that they have one segment for reporting purposes.

(s) New Accounting Standards

The following amendments to standards and interpretations became effective for the annual periods beginning on or after January 1, 2024, and must be applied retrospectively. The application of these amendments and interpretations had no significant impact on the Company's consolidated financial statements.

Amendments to IAS 1 – Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1, Classification of liabilities as current or non-current, which clarified that liabilities are classified as current or non-current, depending on rights that are in existence at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. In October 2022, the IASB issued further amendments to IAS 1 titled Non-current liabilities with covenants. These amendments sought to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period.

Amendment to IAS 1 and IFRS Accounting Standards Practice Statement 2 – Disclosure of Accounting Policies

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.

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4. TRADE RECEIVABLES AND OTHER

Current		2024		2023
Trade receivables	\$	7,517	\$	13,254
Deposits, prepaids and other		8,409		5,547
Contract acquisition costs		416		427
Federal and provincial film and television tax credits receivable		57,892		85,884
	\$	74,234	\$	105,112

Non-current		2024		2023
Trade receivables	\$	911	\$	1,216
Deposits, prepaids and other		1,195		1,204
Contract acquisition costs		-		108
	\$	2,106	\$	2,528

Federal and provincial film and television tax credits receivable ("tax credits") from government agencies are subject to audit by the applicable government agency. Management believes that the net amounts recorded are fully collectible. The Company adjusts amounts receivable from government agencies quarterly for any known differences arising from internal or external audits of these balances.

The aging of current trade receivables is as follows:

		2024		2023
Less than 60 days	\$	7,494	\$	13,149
Over 61 days		23		105
	\$	7,517	\$	13,254

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5. INVESTMENT IN CONTENT

Investment in content represents the unamortized costs of film and television projects in development, content in production, released content and acquired content.

	Development costs	Content in production	Released content	Acquired content	Total
Cost					
Balance June 30, 2022	\$ 1,768	\$ 25,063	\$ 168,354	\$ 7,258	\$ 202,443
Additions ¹	941	22,161	-	150	23,252
Impairment	(994)	-	-	-	(994)
Transferred	(72)	(25,870)	25,942	-	-
Balance June 30, 2023	1,643	21,354	194,296	7,408	224,701
Additions ¹	783	13,413	-	1,097	15,293
Impairment	(131)	-	-	-	(131)
Transferred	-	(20,827)	20,827	-	-
Balance June 30, 2024	\$ 2,295	\$ 13,940	\$ 215,123	\$ 8,505	\$ 239,863
Amortization					
Balance June 30, 2022	\$ -	\$ -	\$ 160,530	\$ 5,958	\$ 166,488
Additions	-	-	25,921	878	26,799
Balance June 30, 2023	-	-	186,451	6,836	193,287
Additions	-	-	19,630	460	20,090
Balance June 30, 2024	\$ -	\$ -	\$ 206,081	\$ 7,296	\$ 213,377
Net book value					
June 30, 2023	\$ 1,643	\$ 21,354	\$ 7,845	\$ 572	\$ 31,414
June 30, 2024	\$ 2,295	\$ 13,940	\$ 9,042	\$ 1,209	\$ 26,486

¹ Net of government and third-party assistance (note 13).

Interest charges capitalized to the cost of film and television productions for the year ended June 30, 2024 amounted to \$552 (2023 - \$637).

For the year ended June 30, 2024, the Company recorded amortization of investment in content of \$448 (2023 - \$1,611) as a result of a change in the estimated useful life of certain released content and acquired content for which the Company has no reasonable expectation of recovery through future exploitation.

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6. PROPERTY AND EQUIPMENT

	Computer equipment	Furniture and equipment	Leasehold improvements	Vehicles	Right-of-use ("ROU") assets	Total
Cost						
Balance June 30, 2022	\$ 6,421	\$ 3,024	\$ 3,367	\$ 556	\$ 44,828	\$ 58,196
Additions	996	269	1,086	315	7,396	10,062
Reclass of assets ¹	(837)	-	-	-	837	-
Disposals	(6)	-	-	(164)	(1,124)	(1,294)
Balance June 30, 2023	6,574	3,293	4,453	707	51,937	66,964
Additions	1,208	196	40	78	2,890	4,412
Reclass of assets ¹	(1,041)	-	-	-	1,041	-
Disposals	(29)	-	-	(76)	(2,797)	(2,902)
Balance June 30, 2024	\$ 6,712	\$ 3,489	\$ 4,493	\$ 709	\$ 53,071	\$ 68,474
Amortization						
Balance June 30, 2022	\$ 4,381	\$ 2,598	\$ 770	\$ 337	\$ 20,375	\$ 28,461
Charge for the year	1,198	255	427	167	10,938	12,985
Reclass of assets ¹	(60)	-	-	-	60	-
Disposals	(1)	-	-	(99)	(1,003)	(1,103)
Balance June 30, 2023	5,518	2,853	1,197	405	30,370	40,343
Charge for the year	929	236	447	122	7,079	8,813
Reclass of assets ¹	(208)	-	-	-	208	-
Disposals	-	-	-	(58)	(1,305)	(1,363)
Balance June 30, 2024	\$ 6,239	\$ 3,089	\$ 1,644	\$ 469	\$ 36,352	\$ 47,793
Net book value						
June 30, 2023	\$ 1,056	\$ 440	\$ 3,256	\$ 302	\$ 21,567	\$ 26,621
June 30, 2024	\$ 473	\$ 400	\$ 2,849	\$ 240	\$ 16,719	\$ 20,681

¹ Reclass of assets consists of existing computer equipment assets that have been converted to ROU assets under finance leases.

There were no impairment write-downs or reversals of previous write-downs during the years presented.

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7. GOODWILL AND INTANGIBLE ASSETS

The continuity of goodwill and intangible assets is as follows:

	Goodwill	Distribution libraries	Customer relationships	Total
Cost				
Balance June 30, 2024, 2023, and 2022	\$ 12,402	\$ 2,700	\$ 1,470	\$ 16,572
Amortization				
Balance June 30, 2022	\$ -	\$ 2,024	\$ 1,470	\$ 3,494
Charge for the year	-	270	-	270
Balance June 30, 2023	-	2,294	1,470	3,764
Charge for the year	-	270	-	270
Balance June 30, 2024	\$ -	\$ 2,564	\$ 1,470	\$ 4,034
Net book value				
June 30, 2023	\$ 12,402	\$ 406	\$ -	\$ 12,808
June 30, 2024	\$ 12,402	\$ 136	\$ -	\$ 12,538

Impairment testing for goodwill

Goodwill is tested for impairment annually or more frequently if there are indications that the asset might be impaired. An impairment loss is recognized if the carrying value of the CGU exceeds its recoverable amount. For the purposes of allocating goodwill as at June 30, 2024, the Company has determined that goodwill is monitored based upon one operating segment being its film and television production and distribution (“production entities”). The Company tested the production entities’ goodwill for impairment as at June 30, 2024, in accordance with its policy described in note 3. As the recoverable amount to which production entities’ goodwill has been allocated was greater than its carrying value, the Company determined there was no impairment of production entities goodwill as at June 30, 2024.

For determining the recoverable amount of the CGUs goodwill, the Company used the value-in-use method. To determine value-in-use, the Company utilized a two-year discounted cash flow forecast based on management’s best estimates considering historical and expected future production, distribution and other revenue deliveries, economic conditions, and general outlook for the industry. The two-year discounted cash flow forecast is based on two-year, revenue and earnings before interest, taxes, depreciation, amortization rates (“EBITDA forecast rates”) adjusted for non-cash items. The forecasts beyond that of the two-year budget were prepared for future periods of three additional years, using growth rates based on historical and forecast revenue growth rates and EBITDA forecast rates, with a view of reaching a steady state following the five-year projection period. The after-tax discount rates applied to the cash flow projections were derived from the Company’s weighted average cost of capital. The forecast revenue growth rates are the most significant assumption used in the forecast. The discounted cash flows beyond the five-year period are extrapolated into perpetuity using a terminal growth rate.

Management believes any reasonably possible change in any assumptions on which the estimate of recoverable amount was determined would not result in an impairment.

The Company’s assumptions used in the model are affected by current market conditions, which may affect expected revenue, particularly production and distribution revenues. The Company also has significant competition in the markets in which it operates which may impact its revenue and operating costs. The Company has made certain assumptions for the discount rate and revenue and expense growth rates to reflect possible variations in the cash flows; however, the risk premiums expected by market participants related to uncertainties about the industry or specific intangible assets may differ or change quickly depending on economic conditions and other events.

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Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future valuations of the production entities' goodwill and the Company would be required at that time to recognize impairment losses.

8. INTERIM PRODUCTION FINANCING

Interim production financing represents individual loans for film and television programs that the Company produces. All facilities are repayable on demand and secured by General Security Agreements.

	2024	2023
Interim production credit facilities with Royal Bank of Canada ("RBC"), bearing interest at RBC's prime rate plus 0.50% to 1.25% (2023 - 0.50% to 1.25%). Secured by assignment and direction of trade receivables and tax credit receivables of approximately \$10,047 (2023 - \$35,334).	\$ 6,610	\$ 33,967
Revolving term loan with RBC, bearing interest at RBC's prime rate plus 1.25% (2023 - 1.25%). Maximum funds available of \$5,000. Repayable on the earlier of 15 days after the closing of the applicable single purpose production company ("SPPC") production facility or 180 days after the first draw has been made.	4,500	-
Revolving production operating line of credit with RBC, bearing interest at RBC's prime rate plus 0.50% (2023 - 0.50%). Maximum funds available of \$40,000 and secured by assignment of federal and provincial tax credit receivables of approximately \$12,574 (2023 - \$21,179). Interest only is payable monthly in arrears with the principal repayment to be made upon the receipt of the tax credits for each SPPC.	8,708	16,420
	\$ 19,818	\$ 50,387

As at June 30, 2024, there are no interim production credit facility loans repayable in USD (2023 - USD829 (CA\$1,099)).

9. LONG-TERM DEBT

As at June 30, 2024, the Company also has the following credit facilities with RBC which have not been drawn on. All facilities are secured by General Security Agreements.

- A \$5,000 revolving term loan to finance distribution advances being made to greenlit Canadian content eligible productions owned by an SPPC of the Company, providing the financing of the distribution advance for each production does not exceed 20% of the production budget. The facility is repayable on demand.
- An \$8,000 revolving unmarginated line of credit bearing interest at RBC's prime rate plus 1.25%. The facility is repayable on demand.
- A \$4,200 revolving facility by way of leases to finance regular ongoing capital asset purchases.
- A \$750 foreign exchange line of credit available to hedge against fluctuating exchange rates.

Under the terms of the RBC credit facilities disclosed above and in note 8, the Company is required to meet certain covenants. As at June 30, 2024, the Company was in compliance with all of the covenants.

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10. LEASES

ROU assets

The continuity of ROU assets is as follows:

	Premises	Equipment	Vehicles	Total
Balance June 30, 2022	\$ 17,653	\$ 6,781	\$ 19	\$ 24,453
Additions ¹	97	8,136	-	8,233
Lease modifications	(41)	(1,083)	-	(1,124)
Amortization ¹	(1,828)	(8,156)	(11)	(9,995)
Balance June 30, 2023	15,881	5,678	8	21,567
Additions ¹	510	3,421	-	3,931
Lease modifications	(2,421)	(376)	-	(2,797)
Amortization ¹	(685)	(5,289)	(8)	(5,982)
Balance June 30, 2024	\$ 13,285	\$ 3,434	\$ -	\$ 16,719

¹Refer to note 6, ROU assets for details.

Lease obligations

The continuity of lease obligations is as follows:

	Premises	Equipment	Vehicles	Total
Balance June 30, 2022	\$ 21,199	\$ 6,751	\$ 20	\$ 27,970
Additions	110	8,134	-	8,244
Lease modifications	-	14	-	14
Lease terminations	(1,322)	(137)	-	(1,459)
Amortization	(1,501)	(9,155)	(11)	(10,667)
Balance June 30, 2023	18,486	5,607	9	24,102
Additions	539	3,426	-	3,965
Lease modifications	(459)	20	-	(439)
Lease terminations	(799)	(157)	-	(956)
Amortization	(1,575)	(5,074)	(9)	(6,658)
Balance June 30, 2024	\$ 16,192	\$ 3,822	\$ -	\$ 20,014

The Company has applied the practical expedient to designate leases with terms of less than 12 months as short-term and leases under a certain threshold as low-value. As a result, for the year ended June 30, 2024, nil was expensed to general and administrative and nil was capitalized to investment in content under the short-term exemption, and \$94 was expensed to general and administrative under the low-value exemption (2023 - \$139, \$26 and \$101, respectively).

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The following table presents a reconciliation of the Company's undiscounted cash flows as at June 30, 2024 and 2023, to their present value for the Company's lease obligations:

		2024		2023
Within one year	\$	5,542	\$	6,424
Between one and five years		9,987		12,081
Beyond five years		10,271		12,521
Total undiscounted lease obligations		25,800		31,026
Less future interest charges		(5,786)		(6,924)
Total discounted lease obligations		20,014		24,102
Less current portion of lease obligations	\$	(4,592)	\$	(5,333)
Non-current portion of lease obligations	\$	15,422	\$	18,769

As at June 30, 2024, the total discounted lease obligations related to contracts with RBC amounted to \$1,408, with \$616 classified as current and \$792 as non-current (2023 - \$1,257, with \$703 classified as current and \$554 as non-current).

Lease receivable

In January 2024, the Company entered into an assignment agreement for one of its leases for office space. As the Company has not been fully discharged from the original lease, the assignment was accounted for as a sublease. The assignment is effective from February 1, 2024 to the end of the lease term on March 30, 2025.

As the sublease was assessed as a finance sublease, the ROU asset previously recognized was derecognized and the Company recognized a lease receivable. The lease receivable was measured at the present value of the future lease payments to be made by the assignee using an incremental borrowing rate of 5.64%.

The continuity of the lease receivable is as follows:

	2024
Balance June 30, 2023 and 2022	\$ -
Additions	121
Interest accrual (note 22)	2
Lease recoveries (non-cash)	(45)
Balance June 30, 2024	\$ 78

11. REDEEMABLE PREFERRED SHARES

Issued and outstanding:

	Number of shares		Amount		Equity component
			Liability component		
Balance June 30, 2024, 2023 and 2022	415,000	\$	367	\$	52

The Class A preferred shares were issued in fiscal 2016 under the provisions of the Small Business Venture Capital Act (British Columbia). Pursuant to these provisions, the shares were subject to a hold period of five years from the date of issuance, which expired on March 7, 2021. The Company has the option to retract the shares at a value of \$1.05 per share. In addition, the shareholders may convert their preferred shares into common shares at a ratio of three preferred shares to one common share or may redeem their shares at a price \$1.05 per share.

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If all of the remaining Class A preferred shares are converted, the Company would need to issue 138,333 (2023 – 138,333) common shares.

As the Class A preferred shares are redeemable at the option of the holder on or after the fifth anniversary date of the issuance, they are classified as a liability and are recorded at amortized cost.

In addition to the Class A preferred shares issued, the Company determined that there were multiple elements within the preferred shares. An embedded derivative exists based on the preferred shares' redemption value, being \$1.05 per Class A share, based on the period of time the shares have been held.

The residual element that exists after the fair value is allocated to the preferred share liability component is the equity value of the preferred shares and essentially represents the preferred shareholders' ability to convert the preferred shares to common shares at any time after the fifth anniversary dates of the issuance. The value ascribed to the equity component of the preferred shares is recorded in shareholders' equity under preferred shares on the consolidated statements of financial position.

The Company pays an annual dividend of \$0.07 per redeemable preferred share which is disclosed in note 22.

12. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

Common shares

Issued:

	Number of shares	Amount
Balance June 30, 2022	49,386,237	\$ 69,397
Exercise of options	610,250	1,750
Balance June 30, 2023	49,996,487	71,147
Exercise of options	412,500	957
Purchase of common shares under Normal Course Issuer Bid	(591,400)	(844)
Balance June 30, 2024	49,817,587	\$ 71,260

Normal Course Issuer Bid

On December 4, 2023, the Company's application was approved for a Normal Course Issuer Bid ("NCIB") to purchase, through the facilities of the TSX-V, up to 3,418,509 common shares over a twelve-month period commencing on December 7, 2023 and ending on December 6, 2024. This represents approximately 10% of the public float of the Company's common shares. The purchases will be effected on the open market through the facilities of the TSX-V exchange only and conducted by Cormark Securities Inc.

During the year ended June 30, 2024, the Company repurchased for cancellation, 591,400 common shares under its NCIB then in effect for a total consideration of \$1,230, representing an average price of \$2.08 per common share. The Company's capital stock was reduced by \$844 and the remaining \$386 was accounted for as a decrease in retained earnings.

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Earnings per share

The following table calculates basic and diluted net earnings per share:

	Year ended June 30,	
	2024	2023
Net income (loss)	\$ 2,378	\$ (5,011)
Dividend expense	29	29
Diluted net income (loss)	\$ 2,407	\$ (4,982)
Basic weighted average number of common shares	49,995,034	49,635,358
Diluted weighted average number of common shares	52,835,367	52,623,441
Basic income (loss) per share	\$ 0.048	\$ (0.101)
Diluted income (loss) per share	\$ 0.046	\$ (0.101)

Share option plan

The Company has established a Share Option Plan (the "option plan") which provides for options to purchase common shares to be granted by the Company to directors, officers, employees, and consultants of the Company. Options will generally vest over a period of 36 months. The maximum number of common shares issuable under the option plan together with the number of shares issuable under the equity incentive plan is 10% of the total number of issued and outstanding shares at the grant date of an option.

The following table summarizes the changes in stock options outstanding:

	Number of options	Weighted average exercise price
Balance June 30, 2022	3,847,250	\$ 2.49
Issued	120,000	3.43
Exercised	(610,250)	2.00
Forfeited	(6,000)	2.18
Cancelled	(7,500)	2.72
Balance June 30, 2023	3,343,500	2.61
Issued	40,000	1.91
Exercised	(412,500)	1.59
Expired	(90,000)	2.00
Forfeited	(16,500)	4.90
Cancelled	(22,500)	4.90
Balance June 30, 2024	2,842,000	\$ 2.73

During the year ended June 30, 2024, the Company granted stock options to acquire 40,000 shares of its common stock to a director. The options have an exercise price \$1.91 per share, a seven-year term and vest 25% immediately, with the remaining 75% vesting one-third over each anniversary date (2023 - granted stock options to acquire 120,000 shares of its common stock to directors at exercise prices ranging from \$3.40 to \$3.50 per share. The options have a seven-year term and vest 25% immediately with the remaining 75% vesting one-third over each anniversary date).

During the year ended June 30, 2024, 412,500 stock options were exercised for proceeds of \$655. An amount of \$302 was transferred from contributed surplus to common shares (2023 - 610,250 stock options exercised for proceeds of \$1,221, and \$529 transferred from contributed surplus to common shares).

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The weighted average grant date value of stock options and assumptions using the Black-Scholes option pricing model for the year ended June 30, 2024 and 2023 are as follows:

	2024	2023
Share price on date of grant	\$1.86	\$3.35 - \$3.40
Weighted average grant date value	\$1.05	\$1.91
Interest rate	3.36%	2.90% - 3.38%
Expected life	7 years	7 years
Volatility	52.94%	52.66% - 52.72%
Exercise price	\$1.91	\$3.40 - \$3.50

The following table summarizes the stock options outstanding as at June 30, 2024:

Exercise price	Number of options	Expiry date	Weighted average remaining contractual life (years)	Weighted average exercise price (\$ per share)	Number of options exercisable	Weighted average exercise price (\$ per share)
\$ 0.50	10,000	Mar 2026	1.69	\$ 0.50	10,000	\$ 0.50
\$1.91	40,000	Feb 2031	6.60	1.91	10,000	1.91
\$ 2.00	1,306,000	Jul 2025 to Mar 2026	1.19	2.00	1,306,000	2.00
\$ 3.00	360,000	Aug 2024 to Dec 2027	0.44	3.00	360,000	3.00
\$ 3.07	525,000	Jan 2028	3.53	3.07	525,000	3.07
\$ 3.20	30,000	Mar 2028	3.71	3.20	30,000	3.20
\$ 3.40	80,000	Dec 2024 to Mar 2030	3.07	3.40	60,000	3.40
\$ 3.50	240,000	May 2029 to Mar 2030	5.02	3.49	170,000	3.49
\$ 3.95	40,000	Dec 2024	0.46	3.95	40,000	3.95
\$ 4.27	40,000	Jan 2029	4.54	4.27	20,000	4.27
\$ 4.90	171,000	May 2028	3.91	4.90	171,000	4.90
	2,842,000		2.21	2.73	2,702,000	2.72

Equity incentive compensation plan

The Company has established an Equity Incentive Compensation Plan (the "equity incentive plan") which provides restricted share units ("RSUs") or performance share units ("PSUs") to be issued to directors, officers, employees, and consultants of the Company. Subject to the specific provisions of the equity incentive plan, eligibility, vesting period, terms of the RSUs and PSUs and the number of RSUs or PSUs granted are to be determined by the Board of Directors at the time of the grant. On the vesting date, the Company will be obligated to redeem the RSUs in cash or by issuing one common share for each RSU. The maximum number of common shares issuable under the equity incentive plan together with the number of shares issuable under the option plan is 10% of the total number of issued and outstanding shares at the grant date of a RSU or PSU.

Cash-settled RSUs are remeasured at their fair value at each reporting period on a mark-to-market basis. These RSUs vest over three years: one third on each anniversary date. The liability is reduced by the amount of cash paid out on vested RSUs.

Upon vesting of equity settled RSUs, the related contributed surplus associated with the RSU is reclassified into share capital.

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The following table summarizes the changes in RSUs outstanding:

	Equity Settled	Cash Settled	Total
Balance June 30, 2022	-	-	-
Issued	111,960	121,000	232,960
Balance June 30, 2023	111,960	121,000	232,960
Issued	108,831	-	108,831
Vested	-	(40,333)	(40,333)
Balance June 30, 2024	220,791	80,667	301,458

During the year ended June 30, 2024, the Company granted 108,831 equity settled RSUs. 33,831 of the RSUs vest on the first anniversary of the grant date and 75,000 of the RSUs vest over a period of 36 months, with one-third vesting over each anniversary date (2023 – the Company granted 111,960 equity settled RSUs which vest on the first anniversary of the grant date). The RSUs will be settled in common shares of the Company.

During the year ended June 30, 2024, the Company did not grant any cash settled RSUs (2023 – the Company granted 121,000 cash settled RSUs which vest over a period of 36 months, with one third vesting over each anniversary date).

The outstanding accrued liability related to cash settled RSUs at June 30, 2024 was \$96 (2023 - \$152).

Share-based compensation

Share-based compensation expense recognized in the consolidated statements of operations and comprehensive income (loss) is comprised of the following:

	2024	2023
Stock options	\$ 301	\$ 612
Restricted share units – equity settled grants	410	70
Total equity settled share-based compensation expense	711	682
Restricted share units – cash settled grants	28	152
Total share-based compensation	\$ 739	\$ 834

13. GOVERNMENT FINANCING AND ASSISTANCE

Investment in content and direct operating expenses have been reduced by the following:

	2024	2023
Non-repayable contributions from license fee programs	\$ 5,471	\$ 8,939
Tax credits relating to production activities	29,832	40,314
Equity investment from third parties	2	4
	\$ 35,305	\$ 49,257

During the year ended June 30, 2024, investment in content was reduced by \$25,404 and direct operating expenses were reduced by \$9,901 (2023 - \$32,543 and \$16,714, respectively).

The Company is subject to routine inquiries and review by regulatory authorities of its various incentive claims which have been received or are receivable. Adjustments of claims, if any, as a result of such inquiries or reviews will be recorded at the time of such determination. There have been no material adjustments to date.

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14. REVENUE

The following table presents components of revenue:

	2024	2023
Production services	\$ 132,616	\$ 126,840
Licensing and distribution	32,397	39,804
Other	310	86
	\$ 165,323	\$ 166,730

The Company had certain customers whose revenue individually represented 10% or more of the Company's total revenue from contracts with customers. For the year ended June 30, 2024, two customers accounted for 58% of this revenue (2023 – two customers accounted for 44% of revenue).

Revenues are derived from the following geographical sources, by location of customer:

	2024	2023
Canada	\$ 40,904	\$ 52,518
U.S.	121,416	111,765
Republic of Ireland	-	857
France	2,600	1,526
Other countries	403	64
	\$ 165,323	\$ 166,730

The following non-current assets were attributable to the Company's entities based in the U.S. All other non-current assets were attributable to the Company's entities based in Canada.

	2024	2023
Long-term trade receivables and other	\$ 395	\$ 307
Investment in content	642	381
Deferred tax assets	108	65
Property and equipment	3,591	4,387
	\$ 4,736	\$ 5,140

The Company's only contract related liability is deferred revenue, which reflects the timing difference between the receipt of cash and the recognition of revenue. The following table reflects the movement in deferred revenue:

	2024	2023
Opening balance	\$ 30,381	\$ 33,782
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(27,814)	(31,573)
Increases due to cash received, excluding amounts recognized as revenue during the period	15,115	28,172
Ending balance	\$ 17,682	\$ 30,381

Transaction price allocated to remaining performance obligations

Revenue allocated to remaining performance obligations represents contracted revenue that has not been recognized on contracts with original expected durations of one year or more as at June 30, 2024. Revenue to be allocated to these remaining performance obligations comprises deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. As at June 30, 2024, contract revenue related to these remaining performance obligations with an original expected duration of one year or more was \$164,604 (2023 - \$209,036). The Company expects to recognize 100% of the revenue related to these unfulfilled performance obligations over the next 24 months.

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15. INCOME TAXES

The Company's current and deferred income tax provision is as follows:

	2024	2023
Current provision	\$ 930	\$ 27
Deferred expense (recovery)	431	(1,815)
Net income tax expense (recovery)	\$ 1,361	\$ (1,788)

The following table reconciles the income tax expense calculated using the statutory tax rates to the income tax expense per the consolidated statements of operations and comprehensive income:

	2024	2023
Net income (loss) before income taxes	\$ 3,739	\$ (6,799)
Combine Federal and British Columbia Provincial tax rates	27.00%	27.00%
Expected income tax expense (recovery)	1,010	(1,836)
Effect on income taxes of:		
Permanent differences	290	326
Change in tax rates	3	(1)
Change in deferred tax assets not recognized	43	42
Other	15	(319)
Income tax expense (recovery)	\$ 1,361	\$ (1,788)

For the year ended June 30, 2024, the Company's blended federal and provincial tax rate is 27%.

The following are the major deferred tax assets and liabilities recognized by the Company and movement during the year:

	Investment in content	ROU assets	Unused tax loss	Other	Total
Balance June 30, 2022	\$ 2,187	\$ 485	\$ 598	\$ (1,307)	\$ 1,963
Credit (charge) to income	(201)	54	632	1,329	1,814
Balance June 30, 2023	\$ 1,986	\$ 539	\$ 1,230	\$ 22	\$ 3,777
Credit (charge) to income	(777)	54	(93)	385	(431)
Balance June 30, 2024	\$ 1,209	\$ 593	\$ 1,137	\$ 407	\$ 3,346

The category "other" includes temporary differences on intangible assets, financing costs, property and equipment, capital leases, accrued liabilities and investment in associates.

The deferred tax balances have been reflected in the consolidated statement of financial position as follows:

	Investment in content	ROU assets	Unused tax loss	Other	Total
Deferred tax assets	\$ 4,612	\$ 396	\$ 1,137	\$ 2,371	\$ 8,516
Deferred tax liabilities	(3,403)	197	-	(1,964)	(5,170)
	\$ 1,209	\$ 593	\$ 1,137	\$ 407	\$ 3,346

In assessing the realization of the Company's deferred tax assets, management considers whether it is probable that sufficient taxable profits will be available against which the deferred tax assets can be applied in future periods. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company has the following unrecognized

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deferred tax assets and unused tax loss carryforwards for which no deferred tax asset is recognized in the consolidated statement of financial position:

	2024	2023
Non-capital losses	\$ 489	\$ 489
Capital loss on disposition of investment	1,047	1,047
Other	57	57
Total assets not recognized	\$ 1,593	\$ 1,593

As at June 30, 2024, the Company has non-capital loss carryforwards of \$5,923 (2023 - \$6,268), which are available to offset future taxable income. These non-capital loss carryforwards expire between fiscal 2034 and 2044.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial assets and liabilities are classified and measured as follows:

Financial instrument	Category	Measurement
Cash and cash equivalents	Amortized cost	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Interim production financing	Amortized cost	Amortized cost
Redeemable preferred shares	Amortized cost	Amortized cost

The Company's cash and cash equivalents are transacted in active markets. The carrying amounts reported on the consolidated financial statements for cash and cash equivalents, trade receivables and accounts payable and accrued liabilities approximate their fair values due to their immediate or short-term nature and are classified as Level 2. The carrying value of interim production financing approximates their fair value as the interim production financing and debt bear interest at rates that fluctuate with market rates and are classified as Level 2.

The Company's Class A redeemable preferred shares are classified as Level 3. The redeemable preferred shares have a liability and equity component. The fair value of the liability component was determined by discounted cash flows from expected future dividend payments using a rate of 8%.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

The Company is exposed to credit risk, liquidity risk and market risk in the normal course of operations. The Company does not use derivative instruments to reduce its exposure.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework and monitors risk management activities. The Company identifies and analyzes the risks faced by the Company and may utilize financial instruments to mitigate these risks.

Credit risk

The Company is subject to credit risk with respect to cash and cash equivalents and trade receivables. All cash and cash equivalents balances are held at major Canadian banking institutions. Trade receivables are mainly with Canadian broadcasters, large international distribution companies and online streaming services.

The Company had certain customers whose amounts receivable individually represented 10% or more of the Company's total trade receivables of \$8,428. As at June 30, 2024, three customers accounted for 43% of these receivables (2023 – two customers accounted for 48% of trade receivables).

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The Company's customers are considered to have low default risk and the historical default rate and frequency of loss are low, therefore the lifetime expected credit loss allowance for trade receivables is nominal as at June 30, 2024.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking harm to the Company's reputation.

The Company expects to satisfy obligations through cash on hand, cash flows from operations and refundable tax credit loans.

The timing of cash outflows relating to the financial liabilities is outlined below:

	Less than 1 year	1 to 5 years	Greater than 5 years	Total
Accounts payable and accrued liabilities	\$ 38,700	\$ -	\$ -	\$ 38,700
Income taxes payable	1,553	-	-	1,553
Interim production financing	19,818	-	-	19,818
Deferred revenue	17,682	-	-	17,682
Obligations under leases	4,592	7,210	8,212	20,014
Redeemable preferred shares	465	116	-	581
	\$ 82,810	\$ 7,326	\$ 8,212	\$ 98,348

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's net income and the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

i. Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its interim production financing which bears a floating interest rate.

Based on the average carrying value of these facilities, a fluctuation in interest rates of 1% would represent approximately a \$351 change to net earnings for the year ended June 30, 2024 (2023 - \$538). The Company has no interest rate hedges or swaps outstanding as at June 30, 2024.

ii. Foreign currency exchange risk

Foreign currency exchange risk is the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Company's activities which expose it to currency risk involve the holding of foreign currencies as well as earning revenues and incurring expenses that are denominated in foreign currencies. The Company from time to time, has engaged in certain foreign exchange hedging activities (foreign contracts on foreign currency client payments). There were no foreign contracts in place at June 30, 2024 and 2023. The Company also mitigates its currency exchange risk by entering into natural hedges whereby foreign currency liabilities are offset by assets pledged in the same foreign currency.

For the year ended June 30, 2024, revenue denominated in USD accounted for 31% (2023 - 31%) of total revenue, revenue denominated in Great Britain Pounds ("GBP") accounted for 1% (2023 - nil) of total revenue and revenue denominated in Australian Dollars ("AUD") accounted for nil (2023 - 1%) of total revenue. As at June 30, 2024, a 5% fluctuation in the USD exchange rate would have an impact of approximately \$1,141

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(2023 - \$1,214) on net earnings, a 5% fluctuation in the GBP exchange rate would have an impact of approximately \$113 (2023 - nil) on net earnings and a 5% fluctuation in the AUD exchange rate would have an impact of nil (2023 - \$121) on net earnings.

The Company is also exposed to foreign exchange risk on its cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and interim production financing that are denominated in foreign currencies. For the year ended June 30, 2024, a 5% fluctuation in the USD closing rate would result in a change to net earnings of approximately \$223 (2023 - \$384), a 5% fluctuation in the GBP closing rate would result in a change to net earnings of approximately \$22 (2023 - \$7), a 5% fluctuation in the Euro closing rate would result in a change to net earnings of approximately \$11 (2023 - nil), and a 5% fluctuation in the AUD closing rate would result in a change to net earnings of nil (2023 - \$22).

17. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic and/or synergistic acquisitions, and to maximize the return to shareholders through the optimization of reasonable debt and equity balances commensurate with current operating requirements.

As at June 30, 2024, cash includes \$13,717 (2023 - \$16,702) that is required for the funding of ongoing productions and is not accessible for other purposes. Interim production financing is not considered within the scope of the Company's capital management programs as these loans are specific to individual productions and are repaid by funds earmarked to the individual productions such as license fees, production services agreements, film and television tax credits and other forms of support. The remaining cash balance of \$11,499 (2023 - \$8,662) is strategically allocated for general working capital needs and to support the Company's continuous development and growth initiatives.

The Company defines capital as the aggregate of its shareholders' equity and long-term debt less cash and cash equivalents as summarized in the table below:

	2024	2023
Net capital, being cash and cash equivalents	25,216	25,364
Total Shareholders' equity	69,293	66,670

To facilitate the management of its capital structure, the Company prepares an annual budget that is updated quarterly. The annual budget is reviewed and approved by the Board of Directors and the quarterly reforecasts are reviewed by the Board of Directors.

The Company expects that its current capital resources will be sufficient to carry out operations beyond its current reporting period. The overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2023.

18. RELATED PARTY TRANSACTIONS

As at June 30, 2024, \$396 (2023 - \$440) was payable to a director and the CEO.

The related party transactions are made on terms equivalent to those that prevail in arm's length transactions. All outstanding balances at the period-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Key management personnel compensation

Key management includes directors and former directors, as well as the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and General Counsel.

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The remuneration of directors and officers is as follows:

	2024		2023
Short-term benefits	\$ 3,528	\$	4,579
Share-based payments (note 12)	604		359
	\$ 4,132	\$	4,938

19. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has commitments related to lease obligations which are disclosed in note 10.

Litigation

The Company and its subsidiaries may from time to time be a party to certain legal disputes and claims arising from commercial issues in the normal course of business. There are currently no legal disputes or claims that will have a material adverse effect on the financial position or results of operations of the Company.

20. SUPPLEMENTAL CASH FLOW INFORMATION

The following table reconciles the changes in non-cash working capital as disclosed in the consolidated statements of cash flows:

	2024		2023
Operating activities			
Changes in non-cash working capital			
Accounts receivable	\$ 31,521	\$	(3,686)
Income taxes recoverable	298		(1,161)
Accounts payable and accrued liabilities	(2,405)		7,899
Income taxes payable	556		(533)
Deferred revenue	(12,687)		(3,382)
	\$ 17,283	\$	(863)

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The following table reconciles the changes in liabilities arising from financing activities as disclosed in the consolidated statements of cash flows:

	Balance June 30, 2023	Cash flows from (used in)		Non-cash changes		Balance June 30, 2024
		Proceeds	Repayments	Disposals	Foreign exchange movement	
Interim production financing	\$ 50,387	\$ 23,487	\$ (54,081)	\$ -	\$ 25	\$ 19,818
Lease obligations – current ¹	\$ 5,333	\$ 2,688	\$ (3,453)	\$ -	\$ 24	\$ 4,592
Lease obligations – long-term ¹	\$ 18,769	\$ 1,135	\$ (3,205)	\$ (1,395)	\$ 118	\$ 15,422

	Balance June 30, 2022	Cash flows from (used in)		Non-cash changes		Balance June 30, 2023
		Proceeds	Repayments	Disposals	Foreign exchange movement	
Interim production financing	\$ 57,299	\$ 37,157	\$ (44,198)	\$ -	\$ 129	\$ 50,387
Lease obligations – current ¹	\$ 6,642	\$ 5,754	\$ (7,078)	\$ -	\$ 15	\$ 5,333
Lease obligations – long-term ¹	\$ 21,328	\$ 2,377	\$ (3,589)	\$ (1,459)	\$ 112	\$ 18,769

¹Included within proceeds of obligations under leases is \$3,823 (2023 - \$8,131) of non-cash property and equipment additions related to leases. Included within repayments of obligations under leases is nil (2023 - \$28) of non-cash payments related to a sublease. Total lease payments relating to non-finance leases was \$6,908 (2023 - \$10,849).

Additional supplemental cash flow information:

	2024	2023
Interest and debt service costs paid ¹	\$ 3,698	\$ 2,742
Income taxes paid (recovered)	\$ (390)	\$ 1,461

¹Included in interest and debt service costs paid is interest costs capitalized to the cost of film and television productions (note 5).

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21. EXPENSES BY NATURE

The following sets out the expenses by nature:

	2024	2023
Direct operating		
Direct costs	\$ 106,927	\$ 101,521
Amortization of investment in content	20,090	26,799
Development expenses and other	778	1,472
	127,795	129,792
General and administrative		
Salaries, employee benefits and contractors	15,406	17,581
Office and administrative	4,096	5,483
Legal and professional	1,966	2,858
	21,468	25,922
Amortization of property and equipment and intangible assets		
Amortization of property and equipment and intangible assets	2,004	2,317
Amortization of ROU assets ¹	7,079	10,938
	9,083	13,255
Distribution and marketing	951	1,249
Share-based compensation	739	834
Finance costs, net	1,536	2,452
Foreign exchange loss	1	25
Loss on termination of leases	40	-
Gain on disposal of property and equipment	(29)	-
	\$ 161,584	\$ 173,529

¹ Amortization of ROU assets relating to non-finance leases for the year ended June 30, 2024 was \$5,841 (2023 – \$9,642).

22. FINANCE COSTS, NET

	2024	2023
Dividends on redeemable preferred shares	\$ 29	\$ 29
Interest on interim production financing	1,365	1,287
Interest on lease obligations ¹	1,237	1,425
Interest income	(1,139)	(360)
Interest income on lease receivable	(2)	(12)
Realized foreign exchange loss (gain) on interim production financing	46	(4)
Unrealized foreign exchange loss on interim production financing	-	87
	\$ 1,536	\$ 2,452

¹ Included in interest on lease obligations for the year ended June 30, 2024 is interest related to non-finance leases of \$1,146 (2023 - \$1,391).