

# **THUNDERBIRD ENTERTAINMENT**

## **Thunderbird Entertainment Group Inc.**

Management's Discussion and Analysis

For the years ended June 30, 2024 and 2023

## GENERAL

This Management's Discussion and Analysis ("MD&A") dated October 9, 2024 should be read in conjunction with the audited consolidated financial statements of Thunderbird Entertainment Group Inc. ("Thunderbird" or the "Company") for the years ended June 30, 2024 and 2023 and accompanying notes (the "Annual Financial Statements") that have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company operates on a fiscal year that ends June 30.

Thunderbird is incorporated under the Business Corporations Act (British Columbia). Thunderbird's principal operating subsidiaries are Great Pacific Media Inc. ("GPM"), Atomic Cartoons Inc. ("Atomic"), and Thunderbird Productions Inc. In accordance with industry practice, Thunderbird incorporates a new subsidiary corporation for each production, including each new season of ongoing series productions. Accordingly, Thunderbird has approximately 75 such subsidiary corporations.

The Company's common voting shares are traded on the TSX Venture Exchange ("TSXV") under the ticker "TBRD" and the OTCQX® Best Market under the symbol "THBRF".

Unless otherwise indicated, all dollar amounts are expressed in thousands of Canadian dollars.

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to the Financial Statements. The Company discusses these measures because it believes that they assist the reader in better understanding operations and key financial results.

## FORWARD-LOOKING STATEMENTS

Thunderbird's public communications may include written, or oral "forward-looking statements" and "forward-looking information" as defined under applicable Canadian securities legislation. To the extent any forward-looking information in this MD&A constitutes "financial outlooks" or "future-oriented financial information" within the meaning of applicable Canadian securities laws, the reader is cautioned not to place undue reliance on such information. All such statements may not be based on historical facts that relate to the Company's current expectations and views of future events and are made pursuant to the "safe harbour" provisions of applicable securities laws.

Forward-looking statements or information may be identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "plan", "project", "should", "believe", "intend", or similar expressions concerning matters that are not historical facts. These statements represent management's current beliefs and are based on information currently available to management and inherently involve numerous risks and uncertainties, both known and unknown.

Forward-looking statements in this document include, but are not limited to, Thunderbird's growth strategy; developing emerging talent and credentials on top brands and leveraging future proprietary productions and strengthening Thunderbird's business relationships with key North American and international broadcasters; owned or controlled IP creating long term value through multiple revenue streams; developing and owning content that has established brand recognition, which in turn helps generate a broad array of revenue streams from licensing, such as merchandise, music, video games and other ancillary sources over an extended period; timing for new productions airing; the intention to continue to be a premium content supplier for leading platforms; focusing on higher quality programs with larger budgets as management believes this increases the value and lifespan of its library; plans to continue growing Thunderbird's business and library through the acquisition of complementary productions, and through strategic business alliances, both in North America and internationally; the expectation of maintaining its strong performance, building on the positive momentum from recent quarters; execute on its strategic business plan; forecasting a return to top-line growth in fiscal 2025, forecasted 2025 growth in revenue and AEBITDA<sup>1</sup>; anticipated gross margin<sup>1</sup> differences; expectations regarding comprehensive cost-saving measures yielding ongoing reduction to the Company's fixed cost base; being successful in increasing efficiencies and realizing additional savings throughout fiscal 2025; successfully investing in new content production; aligning content strategy

<sup>1</sup> AEBITDA and Gross Margin are Non-IFRS Measures, see "Non-IFRS Measures" section of this MD&A for their respective definitions, detailed calculations, and detailed reconciliations to IFRS measures. The most directly comparable financial measures of the Company are net income, and gross profit, respectively, as reported below.

with disciplined financial oversight will deliver increased value to shareholders; the expectation that the Company's liquidity needs for the next twelve months will be met by cash on hand, cash generated from operations and through a variety of sources including production bank loans; pursuing further sources of debt or equity financing to continue the development and production of film and television properties and facilitate strategic acquisitions as considered necessary; the expectation that the Company can satisfy obligations through cash on hand, cash flows from operations and refundable tax credit loans; payment of an annual dividend; the possibility that shareholders will convert their preferred shares into common shares at a ratio of 3:1 or redeem their shares; and the Company's objectives, goals or future plans and the business and operations of the Company.

Financial outlook and future-oriented financial information, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to various risks. The targets included herein, and the related assumptions, involve known and unknown risks and uncertainties that may cause actual results to differ materially. The purpose of the information is to provide readers with a more complete perspective on the Company's anticipated future operations and business activities. Readers are cautioned that the information may not be appropriate for other purposes. While management of Thunderbird believes there is a reasonable basis for these targets, such targets may not be met. The Company's actual financial position and results of operations may differ materially from management's current expectations and, as a result, the Company's future revenue and AEBITDA may differ materially from the financial outlooks and future-oriented information provided in this MD&A.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic and social uncertainties; market segment conditions; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; product capability and acceptance; international risk and currency exchange rates; and technology changes. An assessment of these risks that could cause actual results to materially differ from current expectations is contained in the "Risks and Uncertainty" section of this MD&A. The foregoing is not an exhaustive list. Additional risks and uncertainties not presently known to Thunderbird or that management believes to be less significant may also adversely affect the Company. The forward-looking statements or information contained in this document represent the Company's views as of the date hereof and although the Company believes that the assumptions and factors used in preparing the forward-looking statements are reasonable, no assurance can be given that such events will occur in the disclosed time frames or at all. The Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements or information.

## **BUSINESS OVERVIEW**

Thunderbird is a global award-winning, full-service, multi-platform media production, distribution and rights management company. Headquartered in Vancouver, Canada, with additional offices in Los Angeles and Ottawa, Thunderbird's programs cover multiple genres with a focus on children's productions, scripted comedy, scripted drama, and unscripted (factual) content. Thunderbird also has a team dedicated to global distribution and consumer products. Thunderbird's productions are currently being broadcast via conventional linear means, and on several digital platforms, in more than 200 territories worldwide.

Thunderbird prides itself on the Company's culture of excellence, one that prioritizes integrity, acceptance, and flexibility as core values. As part of the Company's mission to create content and build global brands that are award-winning, entertaining, and made with integrity, Thunderbird also fosters artist-driven working environments rooted in kindness, creativity, and acceptance. The Company does this by prioritizing the needs of its team, and by elevating diversity and inclusivity both on-screen and off.

Across the Company, Thunderbird employees and crew members represent myriad backgrounds, cultures, countries, and beliefs, under a collective goal of creating content that enriches and entertains universally. This focus has also received recognition within the entertainment and business industries. To this point, Thunderbird was included on Report on Business Magazine's Women Lead Here list (2024 & 2023), Thunderbird ranking #12 on

Playback's Indie List (2024), Atomic received a third ranking on the annual Kidscreen Hot50 list of top production companies (2023), and GPM was named to Realscreen's Global 200 list in 2023, for the 11<sup>th</sup> consecutive year. Previous awards include Thunderbird being named as a leading company in the diversity and inclusion category by BC Business magazine (2021) and GPM being recognized with this same honour by the magazine in 2022. Thunderbird's premium content also incorporates the Company's strong diversity and inclusion mandates and its mission of telling uplifting and underrepresented authentic stories. This is witnessed through series such as *Molly of Denali*, which has been recognized with the National Association for multi-ethnicity in Communications (NAMIC) Vision Award in animation (2022), a Best Inclusivity Kidscreen Award (2021) and a George Foster Peabody Award (2020). Scripted series *Reginald the Vampire* was also awarded an Environmental Media Association Gold Seal for its dedication to sustainability (2023). During the global pandemic, Thunderbird remained operational and maintained all production deliverables with team members working from home. Thunderbird now has a hybrid working structure, which allows it to scale accordingly to production demands.

In fiscal 2023, Thunderbird began developing a robust environmental, social, and corporate governance plan. While this is a long-term initiative, Thunderbird has taken significant steps forward, including the appointment of a dedicated sustainability-focused role within the organization, carbon tracking and reduction targets, exploring sustainability in storytelling initiatives and extensive engagement with buyers and funders on upcoming sustainability disclosures. This work is highlighted in Thunderbird's Impact Report, which was released in April 2024 and is available on the Company's website at [www.thunderbird.tv](http://www.thunderbird.tv). Thunderbird is also currently working on partnerships with Reel Green (Creative BC), the Canadian Media Producer's Association, and more.

Atomic is also a registered Benefit Corporation, and a Certified B Corp, working with a global community of businesses that meet high standards of social and environmental impact.

## **STRATEGY**

### *A Blend of Service and IP Work*

Thunderbird's growth strategy includes working on both high-profile service productions and owned or controlled IP.

Service production generates near-term earnings and provides opportunities for the Company to develop its emerging talent and credentials on top brands. This strengthens Thunderbird's business relationships with key North American and international broadcasters. Production service work also provides the Company with stable cashflows, which help mitigate the financial statement impact of the timing of episodic IP deliveries. Examples of brands that Thunderbird has produced are Marvel's *Spidey and His Amazing Friends*, *My Little Pony: Make Your Mark*, *Trolls: Trolltopia*, and the Peabody Award-winning *Molly of Denali*, to list a few.

Owned or controlled IP can create long-term value through multiple revenue streams. This involves developing and owning content that has established brand recognition, which in turn helps generate a broad array of revenue streams from licensing, such as merchandise, music, video games and other ancillary sources over an extended period. Thunderbird's IP includes *Kim's Convenience*, *Highway Thru Hell*, and *Mermicorno: Starfall*, to list a few.

### *Diversified Portfolio*

With quality as its North Star, Thunderbird recognizes that only premium content will stand out in a fiercely competitive marketplace. With this lens, Thunderbird develops and produces content for several genres, including kids & family, unscripted and scripted.

Kids & family programming is an important and growing component of Thunderbird's production slate and proprietary library. Through Atomic, Thunderbird's roster of clients, customers and partners includes Netflix, Nickelodeon, PBS, Spin Master, Sony, AppleTV+, Corus, Max, Cartoon Network, Disney, Mattel, Warner Bros. Discovery, Marvel, Microsoft, LEGO, Hasbro and NBCUniversal. Atomic productions include *Mermicorno: Starfall*, *My Little Pony: Make Your Mark*, *Oddballs*, *Marvel's Spidey and His Amazing Friends*, *Pinecone & Pony*, *Dogs in Space*, *Rocket Saves the Day*, *The Last Kids on Earth*, *Trolls: TrollsTopia*, *Molly of Denali*, *Curious George*, *LEGO Star Wars*:

*Terrifying Tales, LEGO Jurassic Park: The Unofficial Retelling, LEGO Marvel Avengers: Code Red, Young Love, Princess Power and CoComelon Lane.*

Thunderbird also remains a dominant player in the unscripted marketplace, working with a roster of clients that includes Discovery, History, HGTV, HULU, Blue Ant Cottage Life, The Weather Channel, APTN and CBC. GPM productions include *Deadman's Curse, Styled, Heavy Rescue 401, Timber Titans, Rocky Mountain Wreckers, and Highway Thru Hell*, which chronicles the action-packed world of heavy rescue towing. *Highway Thru Hell* is one of the longest-running, unscripted series worldwide, and the longevity of the series underpins Thunderbird's reputation for developing quality content. In 2023, *Highway Thru Hell* was renewed for its 14<sup>th</sup> season. Bell Media also recently launched 10 English- and French-language FAST (free ad-supported streaming TV services) channels, featuring entertainment, factual, news and sports programming. The CTV Gridlock channel features classic episodes of *Highway Thru Hell* and the entire series of *Heavy Rescue: 401*. Longtime international distributor Banijay has also launched a dedicated *Highway Thru Hell* FAST channel that features seasons 1 to 10 and all seven seasons of *Heavy Rescue: 401*.

Additionally, GPM works in partnership with Wapanatahk Media, a production company headed by Indigenous producers Tania Koenig-Gauchier and Shirley McLean, to develop content focused on authentic Indigenous characters and stories. Wapanatahk Media currently produces *Wild Rose Vets* (a spin-off of *Dr. Savannah: Wild Rose Vet*), a series that chronicles the unique journeys of Indigenous women navigating the triumphs and challenges of working with animals while also exploring their rich heritage and cultural ties. This series airs on APTN and Blue Ant Media's Cottage Life channel.

GPM also co-produces *Reginald the Vampire*, a fully owned scripted series that stars Spider-Man's Jacob Batalon. Bell Media has Canadian broadcast rights to seasons 1 and 2. Cineflix Rights is the exclusive worldwide distribution partner.

Recognizing the opportunity to further expand into the scripted genre, Thunderbird established a dedicated scripted team based in Los Angeles. Thunderbird's scripted team has 12 scripted projects in active development, three of which are in active network development.

#### *Thunderbird's Library*

A substantial and growing portion of Thunderbird's programming library has been licensed directly to leading Internet OTT platforms such as Netflix, Hulu, Amazon and iTunes, which offer subscription video on demand, transactional video on demand and advertising-supported video on demand to their customers.

For example, Thunderbird fully owns the award-winning comedy series *Kim's Convenience*, which is currently available on Netflix worldwide. The show has worldwide distribution through a mix of streaming, cable and VOD partnerships in Asia. In 2022, FilmRise, a New York-based streaming service, acquired the FAST rights to *Kim's Convenience*. *Strays*, a scripted spin-off of *Kim's Convenience*, had two seasons, both airing on CBC. *Kim's Convenience* and *Strays* are also available on the CBC Comedy FAST channel. Bell Media also features *Highway Thru Hell* and *Heavy Rescue: 401* on the CTV Gridlock FAST channel, and Banijay has a dedicated FAST channel to those two unscripted series as well.

Thunderbird intends to continue being a premium content supplier for leading platforms. The Company is focused on higher quality programs with larger budgets as management believes this will increase the value and lifespan of its library.

#### *Consumer Products and Global Distribution*

In 2023, Thunderbird formalized its consumer products and licensing operations under a new Thunderbird Brands banner, creating internal capabilities for owned IP and a licensing and distribution offering. Thunderbird maintains a disciplined approach to acquiring and perfecting key exploitation rights to its content and strives to own the majority of the ancillary rights to its IP. The Company also plans to continue growing its business and library through the acquisition of complementary productions, and through strategic business alliances, both in North America and internationally.

In fiscal 2024, acquired preschool series *Mittens & Pants* (season 1) was sold to buyers in more than 34 territories. The series has been adopted by several U.S. streaming platforms, including NBCU's Peacock, Roku, Tubi, and children's free ad-supported streamers HappyKids, Kidoodle.TV and Sensical. The Company also announced the acquisition of media and consumer products rights to the mixed-media series *BooSnoo!*, which started rolling out on international platforms, including Peacock, in July 2024.

Additionally, Thunderbird further began building brand momentum around *Mermicorno: Starfall*, announcing new territory distribution deals in the U.S. (Max), UK (POP), Canada (Corus Entertainment for Treehouse, STACKTV and TELETOON+), LATAM (Max and Cartoon Network) and Southeast Asia (Cartoon Network). Together with partner tokidoki, the Company also appointed renowned toymaker Jazwares as global master toy licensee for *Mermicorno: Starfall* for several retail distribution channels, including mass-market, e-commerce and direct-to-consumer platforms. The comprehensive licensing program will include play sets, figures, plush, Halloween and pet costumes, and more. In addition, Nelvana was named as *Mermicorno: Starfall's* Canadian licensing agent, representing the brand for major categories outside of toys and publishing in the territory.

#### **COOPERATION AGREEMENT, STRATEGIC REVIEW AND NORMAL COURSE ISSUER BID**

##### *Amended and Restated Cooperation Agreement*

On November 10, 2023, Thunderbird entered into an amended and restated cooperation agreement (the "A&R Cooperation Agreement") with Voss Capital, LLC ("Voss") which amended and replaced the previous cooperation agreement with Voss dated January 19, 2023, as amended.

The A&R Cooperation Agreement, which is detailed in the Company's November 10, 2023 news release, provided for (i) the appointment of Taylor Henderson, a representative and employee of Voss, to the board of directors of Thunderbird (the "Board") at the Company's 2023 annual general and special meeting of shareholders held on December 14, 2023 (the "2023 Annual Meeting"), and (ii) the appointment of one additional independent director mutually agreeable to the Company and Voss following the 2023 Annual Meeting. In accordance with the A&R Cooperation Agreement, Linda Michaelson and Mark Trachuk did not stand for re-election at the 2023 Annual Meeting.

On February 2, 2024, the Board appointed David Lazzarato to the Board in accordance with the A&R Cooperation Agreement and Thunderbird's constating articles.

##### *Strategic Review Process*

A special committee (the "Special Committee") of the Board comprised of three directors of Thunderbird (including two independent directors and a Voss-nominee) was created to assess Thunderbird's capital allocation strategy and strategic alternatives and opportunities to maximize shareholder value. After conducting a thorough review process, and obtaining financial and legal advice, the Special Committee recommended to the Board that the formal strategic review process be concluded, and the Company focus on the execution of its strategic business plan. The Board, following the recommendation of the Special Committee, determined that it was in the best interests of the Company's stakeholders to terminate the formal strategic review process and have the Company's management focus on executing the Company's current business plan, which includes the pursuit of strategic growth opportunities.

##### *Normal Course Issuer Bid*

Thunderbird implemented a normal course issuer bid (the "NCIB") which is detailed in the Company's December 1, 2023 news release, pursuant to which it may repurchase its own common shares for cancellation through the facilities of the TSXV in an amount not to exceed 10% of its public float, as may be permitted by the TSXV and applicable securities laws.

To June 30, 2024, the Company has repurchased for cancellation 591,400 common shares under its NCIB then in effect for a total consideration of \$1.2 million, representing an average price of \$2.08 per common share. Purchases under the NCIB may continue for up to one year from the commencement day of December 7, 2023.

## OUTLOOK

Despite facing industry-wide headwinds, the Company is forecasting a return to top-line growth in fiscal 2025, with a target for 20% revenue growth and over 10% AEBITDA<sup>1</sup> growth. The variance between revenue and AEBITDA<sup>1</sup> growth reflects the anticipated gross margin<sup>1</sup> difference associated with the types of projects being forecasted in fiscal 2025 compared to fiscal 2024. These targets are supported by a strong content pipeline, strategic investments, and signs of a stabilizing market environment.

In fiscal 2024, Thunderbird introduced comprehensive cost-saving measures that delivered savings exceeding \$3 million and resulted in an ongoing reduction to the Company's fixed cost base. The Company continues to maintain a disciplined approach to managing costs and will seek out additional ways to increase efficiencies and realize savings throughout fiscal 2025 without sacrificing the quality that the Company is known for.

Thunderbird's balance sheet remains robust, with no corporate debt, providing the financial flexibility needed to pursue growth opportunities. This strength supports the Company's plans to invest in new content production, a key driver of future growth. By aligning its content strategy with disciplined financial oversight, Thunderbird is committed to delivering increased value to shareholders.

The Company's fiscal 2025 outlook is based on the Company's latest internal projections, though certain risks remain, as detailed in the risk and uncertainty section below. With a clear focus on executing its strategic priorities, Thunderbird is well-positioned to succeed in a competitive and evolving market landscape.

<sup>1</sup> AEBITDA and Gross Margin are Non-IFRS Measures, see "Non-IFRS Measures" section of this MD&A for their respective definitions, detailed calculations, and detailed reconciliations to IFRS measures. The most directly comparable financial measures of the Company are net income, and gross profit as reported below.

## FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE THREE MONTHS AND YEAR ENDED JUNE 30, 2024

- Revenue increased from \$37.7 million to \$51.8 million and decreased from \$166.7 million to \$165.3 million for the three months and year ended June 30, 2024, as compared to the comparative periods, variances of \$14.1 million (37%) and \$1.4 million (1%). The strong quarterly result and overall fiscal 2024 performance demonstrate the health and success of the Company, even in the current challenging market.
- AEBITDA<sup>1</sup> increased from \$0.7 million to \$7.0 million and from \$12.8 million to \$16.7 million for the three months and year ended June 30, 2024, as compared to the comparative periods, variances of \$6.3 million (900%) and \$3.9 million (30%). The increase is attributable to the reduction in general and administrative costs and direct operating costs, leading to improved margins, over the comparative periods.
- Free Cash Flow<sup>1</sup> decreased from \$8.0 million to (\$4.8) million and increased from \$4.3 million to \$6.6 million for the three months and year ended June 30, 2024, as compared to the comparative periods, variances of \$12.8 million (160%) and \$2.3 million (53%). The decrease for the current quarter is primarily attributed to the timing of interim production loan repayments.
- Net income increased \$5.1 million to \$2.5 million and \$7.4 million to \$2.4 million for the three months and year ended June 30, 2024, as compared to the comparative periods, variances of 196% and 148%.
- Throughout the entire fiscal period, the Company worked on 36 productions. At June 30, 2024, the Company had 24 programs in various stages of production and was working with 17 clients. Of the 24 programs in production, six were Thunderbird IP, and 18 were service productions.
- Thunderbird Kids & Family, producing under Atomic, was in production on several animated series in fiscal 2024 including: *Princess Power* (seasons 2 and 3) for Netflix, *CoComelon Lane* for Moonbug for Netflix, *Marvel's Spidey and His Amazing Friends* (seasons 2, 3 and 4) for Disney Junior, *My Little Pony: Make Your Mark* (chapter 6) for eOne/Hasbro, *The Mindful Adventures of Unicorn Island* for Headspace, *Zombies*:

*The Re-Animated Series* for Disney TVA, *LEGO Jurassic Park: The Unofficial Retelling* for NBCUniversal, and *Molly of Denali* (season 4) for PBS KIDS, among others, as well as Atomic originals *Super Team Canada* (Crave), *Rocket Saves the Day* (PBS KIDS), and *Mermicorno: Starfall* (Warner Bros. Discovery).

- In fiscal 2024, Thunderbird introduced its first adult animated original series, *Super Team Canada*. Produced alongside Will Arnett's *Electric Avenue* and co-created by Canadian comedy writers Robert Cohen and Joel H. Cohen. *Super Team Canada* also represents Crave's first commission of an original animated series for adults. The star-studded cast includes Will Arnett, Cobie Smulders, Kevin McDonald, Charles Demers, Brian Drummond, Ceara Morgana and Veena Sood, with Jay Baruchel set to guest star, and Canadian legend Bryan Adams performing the theme song. The series is set to debut in early 2025.
- Thunderbird Unscripted, producing under GPM, was in production on several series in fiscal 2024, including: *Deadman's Curse* (seasons 2 and 3) for History Channel, *Styled* (season 2) for HGTV Canada/Hulu, *Wild Rose Vets* (season 1), a spinoff of *Dr. Savannah: Wild Rose Vet*, for APTN and Cottage Life TV, *Timber Titans* (seasons 1 and 2) for Discovery, *Highway Thru Hell* (seasons 12 and 13) for Discovery, and *Rocky Mountain Wreckers* (season 1) for The Weather Channel (U.S.) and Discovery in Canada.
- In fiscal 2024, GPM unveiled the all-new original docuseries *Rocky Mountain Wreckers*, which follows the adventures of four family-owned heavy wrecking businesses across Colorado, Utah and Wyoming. The series has been commissioned by The Weather Channel in the U.S., with Bell Media serving as the Canadian broadcast partner and owning the rights to the show for Discovery Canada. Season 1 is set to premiere in early 2025.
- In fiscal 2024, GPM's *Deadman's Curse* marked several exciting milestones. Following the success of season 1, the team was in production on both seasons 2 and 3, with season 3 scheduled to premiere in 2025 on The History Channel. In addition, companion podcast *Deadman's Curse: Slumach's Gold* hit #4 on Apple's History charts, won three 2023 Signal Awards, and was named one of the Best Podcasts of the Year by Amazon Music. Season 2 of the podcast, titled *Deadman's Curse: Volcanic Gold*, premiered in June on Apple Podcasts, Spotify, and Amazon Music.
- GPM was also in production on two scripted projects in fiscal 2024, including *Sidelined: The QB and Me*, a new Tubi Original movie based on the Wattpad novel. Blue Fox Entertainment is managing international distribution, announcing sales to partners in Europe, Latin America, South Africa, and more. In addition, Blue Fox Entertainment acquired international distribution rights, outside Canada and the U.S., for GPM and Wattpad Studios' YA film *Boot Camp*, based on the popular Wattpad story by Gina Musa.
- The Company currently has 12 scripted projects in active development, and three projects in active network development.
- In fiscal 2024, season 1 of acquired series *Mittens & Pants* was sold to buyers in more than 34 territories, and the series was adopted by several U.S. streaming platforms, including NBCU's Peacock, Roku, Tubi, and children's free ad-supported streamers HappyKids, Kidoodle.TV and Sensical. Thunderbird also announced the acquisition of media and consumer products rights to the mixed-media series *BooSnoo!*, which began rolling out on international platforms, including Peacock, in July 2024.
- Thunderbird, along with partner tokidoki, announced new territory distribution deals for *Mermicorno: Starfall* in the U.S. (Max), UK (POP), Canada (Corus Entertainment for Treehouse, STACKTV and TELETOON+), LATAM (Max and Cartoon Network) and Southeast Asia (Cartoon Network). Renowned toymaker Jazwares was also appointed as the global master toy licensee for *Mermicorno: Starfall* for several retail distribution channels, including mass-market, e-commerce and direct-to-consumer platforms.
- During fiscal 2024, Thunderbird expanded its presence on FAST channels, with Banijay Rights launching a dedicated *Highway Thru Hell*-branded FAST channel that features the first 10 seasons of the long-running hit docuseries. The channel, which also features *Heavy Rescue: 401*, launched in March in the UK, and in

Australia in April. Bell Media also launched the CTV Gridlock FAST channel, which features classic episodes of *Highway Thru Hell* and the entire series of *Heavy Rescue: 401*.

- Company recognitions in fiscal 2024 included Atomic placing third on the annual Kidscreen Hot50 list of top production companies, GPM series receiving five 2023 Leo Awards, *Reginald the Vampire* being awarded an Environmental Media Association Gold Seal for its dedication to sustainability, Colin Beadle (VP of Human Resources at Thunderbird) being named one of the Top HR Leaders in Canadian Tech by ScaleHR, *Pinecone & Pony* receiving a Canadian Screen Award (Best Picture Editing, Animation category) for the episode “The Sturdy Stone”, and Thunderbird ranking #12 on Playback’s Indie List 2024.
- In fiscal 2024, Atomic became a Certified B Corporation, joining a global community of businesses that meet high standards of social and environmental impact.
- In fiscal 2024, Thunderbird appointed Simon Bodymore as Chief Financial Officer and welcomed David Lazzarato to its Board of Directors. Mr. Lazzarato was also appointed as Chair of the Strategic Advisory Committee.

<sup>1</sup> Free Cash Flow and AEBITDA are Non-IFRS Measures, see “Non-IFRS Measures” section of this MD&A for their respective definitions, detailed calculations, and detailed reconciliations to IFRS measures. The most directly comparable financial measures of the Company are cash flows from Operations and net income, respectively, as reported below.

## SEASONALITY

Results of operations for any period are contingent on the number and size of programs produced and/or delivered. Therefore, the Company's results of operations may fluctuate significantly from period to period and may not be indicative of future periods. Cash flows may also fluctuate and may not be closely correlated with revenue recognition. The Company's revenues vary significantly over the quarters as they can be driven by owned IP deliveries and license period commencement dates with the broadcasters and distributors and therefore are not earned on an even basis throughout the year. The Company is somewhat reliant on the broadcaster's budget and financing cycles and at times the license period will be delayed and commence at a date later than originally projected. In addition, the Company delivers owned IP to OTT streaming platforms which do not have seasonal premiere calendars like traditional broadcasters. Readers of the Financial Statements and this MD&A are therefore cautioned about extrapolating the results for quarterly or annual periods in the financial year ended June 30, 2024, into quarterly or annual expectations in future years.

## SELECTED ANNUAL COMPARATIVE INFORMATION

The selected comparative information set out below for the years ended June 30, 2024, 2023 and 2022 has been derived from, and should be read in conjunction with, the Company's audited consolidated financial statements and accompanying notes for the respective years.

### Financial Position

<i>(\$000's)</i>	June 30, 2024		June 30, 2023		June 30, 2022	
Revenue	\$	165,323	\$	166,730	\$	148,998
Net income (loss) from operations	\$	2,378	\$	(5,011)	\$	3,598
Basic income (loss) per share	\$	0.048	\$	(0.101)	\$	0.073
Total assets	\$	172,597	\$	215,854	\$	223,718
Total non-current liabilities	\$	20,592	\$	23,960	\$	26,834
Shareholders' equity	\$	69,293	\$	66,670	\$	69,823

### Results of Operations

<i>(\$000's, except per share data)</i>	For the three months ended		For the year ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
Revenue	51,814	37,745	165,323	166,730
Expenses	49,334	40,314	162,945	171,741
<b>Net income (loss) for the period</b>	<b>2,480</b>	<b>(2,569)</b>	<b>2,378</b>	<b>(5,011)</b>
<b>AEBITDA<sup>1</sup></b>	<b>6,954</b>	<b>687</b>	<b>16,693</b>	<b>12,761</b>
<b>AEBITDA Margin<sup>1</sup></b>	<b>13.4%</b>	<b>1.8%</b>	<b>10.1%</b>	<b>7.7%</b>
<b>Free Cash Flow<sup>1</sup></b>	<b>(4,771)</b>	<b>7,984</b>	<b>6,623</b>	<b>4,331</b>
<b>Basic income (loss) per share</b>	<b>0.050</b>	<b>(0.051)</b>	<b>0.048</b>	<b>(0.101)</b>
<b>Diluted income (loss) per share</b>	<b>0.047</b>	<b>(0.051)</b>	<b>0.046</b>	<b>(0.101)</b>

<sup>1</sup> AEBITDA, AEBITDA Margin and Free Cash Flow are Non-IFRS Measures, see "Non-IFRS Measures" section of this MD&A for their respective definitions, detailed calculations, and detailed reconciliations to IFRS measures. The most directly comparable financial measures of the Company for AEBITDA and Free Cash Flow is net income and cash flows from operations, respectively, as reported below.

## Revenue

(\$000's)	For the three months ended		For the year ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
Production services	38,330	32,139	132,616	126,840
Licensing and distribution	13,484	5,606	32,707	39,890
<b>Total revenue</b>	<b>51,814</b>	<b>37,745</b>	<b>165,323</b>	<b>166,730</b>

The Company has two principal revenue streams: production services and licensing and distribution. Production services revenue is earned for service work performed on projects where the Company does not own or participate in the IP. Licensing and distribution revenue is earned when the Company owns the copyright to a project and subsequently enters into a broadcast or distribution agreement to license the project for a specific term.

The Company recognized revenue of \$51.8 million and \$165.3 million for the three months and year ended June 30, 2024, an increase of 37% (\$14.1 million) and a decrease of 1% (\$1.4 million), over the comparative periods.

Production services revenue increased by 19% (\$6.2 million) and 5% (\$5.8 million) for the three months and year ended June 30, 2024, over the comparative periods. This revenue consists primarily of animation production services, which helps to reduce the volatility of results over quarters as the production service revenue is recognized as the work is completed, and the large number and size of contracts provides consistency in revenue flows. There was a small increase in animation production service revenue during the current quarter and fiscal period, over the comparative periods, due to a slight increase in the volume of work. On the scripted production services side, *Sidelined: The QB and Me*, a film based on the smash Wattpad novel, provided revenue of \$3.3 million in the current quarter. Animation projects with significant revenues during the quarter include *Marvel's Spidey and His Amazing Friends* and *Zombies: The Reanimated Series*.

Licensing and distribution revenue increased by 141% (\$7.9 million) and decreased by 18% (\$7.2 million), respectively, for the three months and year ended June 30, 2024, over the comparative periods. The decline can primarily be attributed to a reduced number of projects produced and delivered during the year. In the current quarter, revenue was recognized from the delivery of 16 episodes of two unscripted series: *Dead Man's Curse* (Season 2) and *Styled* (Season 2). Also, revenue was recognized from a distribution contract for *Reginald the Vampire* (Season 2). In the comparative quarter, distribution revenue was recognized from the delivery of the movie of the week *Boot Camp*.

## Direct operating

(\$000's)	For the three months ended		For the year ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
Direct costs	31,125	25,180	106,927	101,521
Amortization of investment in content	8,872	4,086	20,090	26,799
Other	306	653	778	1,472
<b>Total direct operating</b>	<b>40,303</b>	<b>29,919</b>	<b>127,795</b>	<b>129,792</b>

Direct operating includes costs directly related to the Company's productions, such as labour and equipment expenses on service productions, amortization of capitalized production costs, royalties and residuals on owned IP projects and participation costs for third party library product. Other includes development expenses on projects the Company has abandoned, as well as ongoing general research and scouting costs.

Direct costs increased 24% (\$5.9 million) and 5% (\$5.4 million) for the three months and year ended June 30, 2024, over the comparative periods. This is in line with the Company's production service revenue as described above in the revenue section.

Amortization of investment in content increased 117% (\$4.8 million) and decreased 25% (\$6.7 million) for the three months and year ended June 30, 2024, over the comparative periods, in line with the delivery of episodes in Q4 2024 versus Q4 2023 as described above in the revenue section.

### Distribution and marketing

(\$000's)	For the three months ended		For the year ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
<b>Total distribution and marketing</b>	<b>229</b>	<b>318</b>	<b>951</b>	<b>1,249</b>

Distribution and marketing expenses include expenses related to the distribution of the Company's content library to third parties, investor relations, advertising and promotion, donations, attendance at forums, conferences and film markets, and the travel and meals related to such. Distribution and marketing expenses decreased by 28% (\$0.1 million) and 24% (\$0.3 million) for the three months and year ended June 30, 2024, over the comparative periods. The decrease in the current quarter was mainly due to decreases in investor relations, convention attendance and travel, offset slightly by increases in advertising and promotion.

### General and administrative

(\$000's)	For the three months ended		For the year ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
Salaries, employee benefits and contractors	3,771	6,009	15,406	17,581
Office and administrative	1,022	1,017	4,096	5,483
Legal and professional fees	418	354	1,966	2,858
<b>Total general and administrative</b>	<b>5,211</b>	<b>7,380</b>	<b>21,468</b>	<b>25,922</b>

The Company's general and administrative expenses include salaries, contractor fees, rent, and office expenses for the Vancouver, Ottawa, and Los Angeles offices.

Total general and administrative expenses decreased 29% (\$2.2 million) and 17% (\$4.5 million) for the three months and year ended June 30, 2024, over the comparative periods. Salaries and contractor fees decreased 37% (\$2.2 million) and 12% (\$2.2 million) for the three months and year ended June 30, 2024, over the comparative periods. Cost reduction measures related to salaries were undertaken during the prior quarters, with the associated cost savings partially offset by severance payments made. Office and administrative expenses decreased 25% (\$1.4 million) for the year ended June 30, 2024, over the comparative year, with the current quarter remaining consistent over the comparative quarter. This decrease is due mainly to a significant reduction in cloud-based rendering contracts and related computer costs, due to fewer service shows, and lower studio size, over the comparative year. Legal and professional fees increased 18% (\$0.1 million) and decreased 31% (\$0.9 million) over the comparative periods, as \$1.3 million in fees were incurred due to the proxy contest in the prior year. During the current quarter, legal and professional fees have increased slightly over the comparative year due to increased costs pertaining to the strategic review process.

### Share-based compensation

(\$000's)	For the three months ended		For the year ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
<b>Total share-based compensation</b>	<b>117</b>	<b>260</b>	<b>739</b>	<b>834</b>

Share-based compensation expense has decreased by 55% (\$0.1 million) and 11% (\$0.1 million) for the three months and year ended June 30, 2024, over the comparative periods. The decrease for the current quarter is due to no stock

options being granted in the current quarter, compared to the comparative quarter. The decrease for the current year period is due to equity settled restricted share units (“RSUs”) issued in the fourth quarter of fiscal 2023.

#### Amortization

(\$000's)	For the three months ended		For the year ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
Amortization of intangible assets	67	67	270	270
Amortization of property and equipment	359	348	1,734	2,047
Amortization of right-of-use assets	1,661	2,372	7,079	10,938
<b>Total amortization</b>	<b>2,087</b>	<b>2,787</b>	<b>9,083</b>	<b>13,255</b>

Amortization of property and equipment increased 3% (\$0.01 million) and decreased 15% (\$0.3 million) for the three months and year ended June 30, 2024 over the comparative periods. This decrease is due to the reduction of computer equipment purchases in the current fiscal year, as compared to the prior fiscal period.

Amortization of right-of-use assets decreased 30% (\$0.7 million) and 35% (\$3.9 million) for the three months and year ended June 30, 2024 over the comparative periods. The decline primarily stems from a reduction in ROU Equipment Assets acquired in the current fiscal period over the comparative period, which are amortized over the lease terms.

#### Finance costs

(\$000's)	For the three months ended		For the year ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
Dividends on redeemable preferred shares	7	7	29	29
Interest on interim production financing	234	491	1,365	1,287
Interest on lease obligations <sup>1</sup>	293	329	1,237	1,425
Interest income	(54)	(27)	(1,139)	(360)
Interest income on lease receivable	(1)	-	(2)	(12)
Realized foreign exchange loss (gain) on interim production financing	46	-	46	(4)
Unrealized foreign exchange loss (gain) on interim production financing	(46)	(41)	-	87
<b>Total finance costs</b>	<b>479</b>	<b>759</b>	<b>1,536</b>	<b>2,452</b>

<sup>1</sup>Included in interest on lease obligations for the three months and year ended June 30, 2024 is interest related to non-finance leases of \$267 and \$1,146, respectively (three months and year ended June 30, 2023 - \$320 and \$1,391, respectively).

Finance costs include interest expense, dividends and foreign exchange gains and losses on loans, net of interest income. Finance costs decreased by 37% for both the three months and year ended June 30, 2024, over the comparative periods. The decrease in finance costs for the quarter was mainly due to the increase of interest income earned on tax credits, and a decrease in the amount of loan interest paid.

Class A redeemable preferred shares receive a quarterly dividend of \$0.0175 per share.

#### Foreign exchange loss (gain)

(\$000's)	For the three months ended		For the year ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
Realized foreign exchange loss (gain)	(24)	95	(26)	(179)
Unrealized foreign exchange loss (gain)	41	(146)	27	204
<b>Total foreign exchange loss (gain)</b>	<b>17</b>	<b>(51)</b>	<b>1</b>	<b>25</b>

Foreign exchange loss (gain) includes both realized and unrealized gains and losses from foreign currency transactions. Foreign exchange loss increased by \$0.07 million and decreased by \$0.02 million for the three months and year ended June 30, 2024, over the comparative periods. The change in realized foreign exchange gain for the current quarter is mainly related to the receipts of U.S. dollar receivables from production service agreements with budget rates lower than the current spot rate, and payments of U.S. dollar payables. The change in unrealized foreign exchange loss for the current quarter is mainly due to the revaluation of foreign currency trade receivables and payables and U.S. dollar bank balances to the current spot rate at year end.

#### QUARTERLY FINANCIAL INFORMATION

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
<i>(\$000's, except per share data)</i>	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	51,814	35,370	44,539	33,600	37,745	37,281	47,958	43,746
Net income (loss)	2,480	5	619	(726)	(2,569)	(2,249)	(287)	94
Basic earnings (loss) per share	0.050	-	0.012	(0.015)	(0.051)	(0.045)	(0.006)	0.002
Diluted earnings (loss) per share	0.047	-	0.012	(0.015)	(0.051)	(0.045)	(0.006)	0.002

Note: this information was derived from unaudited interim condensed quarterly financial information.

As discussed in the seasonality section above, net income is substantially determined by the number and timing of programs delivered. Revenue recognized on these projects depends on contracted deliveries and license period commencement dates with the broadcasters and distributors and therefore can fluctuate significantly from quarter to quarter driving the variances in the Company's revenue and net income/loss. While seasonality may impact owned IP project deliveries, production service revenue is recognized as the work is completed.

The increase in net income in the fourth quarter of 2024 compared to the third quarter of 2024 was due to an increase in license fee revenue due to the increase in deliveries of IP projects in the current quarter and a slight increase in production services revenue.

The decrease in net income in the third quarter of 2024 compared to the second quarter of 2024 was due to a decrease in license fee revenue and a decrease in deliveries of IP projects in the current quarter, offset by a decrease in general and administration costs, salaries and wages and an increase in production services revenues.

The increase in net income in the second quarter of 2024 compared to the first quarter of 2024 was due to an increase in license fee revenue and an increase in deliveries of IP projects in the current quarter, partially offset by a slight increase in general and administration costs.

The decrease in net loss in the first quarter of 2024 compared to the fourth quarter of 2023 was due to a decrease in general and administration costs and amortization, partially offset by a decrease in license fee and distribution revenues, due to the timing and magnitude of IP deliveries in the current quarter, as compared to the fourth quarter.

The increase in net loss in the fourth quarter of 2023 compared to the third quarter of 2023 was the result of an increase in general and administration costs and amortization, due to timing of deliveries in the current quarter, and the delivery of fewer IP projects in the third quarter than the fourth quarter.

The increase in net loss in the third quarter of 2023 compared to the second quarter of 2023 was due to a decrease in distribution revenue, the delivery of fewer IP projects in the third quarter than the second quarter, and a slight decrease in production services revenues.

The increase in net loss in the second quarter of 2023 compared to the first quarter of 2023 was due to the delivery of fewer IP projects in the second quarter than the first quarter, offset by growth in production services projects.

## FINANCIAL CONDITION

<i>(\$000's)</i>	<b>June 30, 2024</b>		<b>June 30, 2023</b>	
Cash and cash equivalents	\$	25,216	\$	25,364
Accounts receivable		79,160		110,679
Investment in content		26,486		31,414
Property and equipment		20,681		26,621
Goodwill and intangible assets		12,538		12,808
Deferred tax assets		8,516		8,968
<b>Total assets</b>	<b>\$</b>	<b>172,597</b>	<b>\$</b>	<b>215,854</b>
Accounts payable and accrued liabilities	\$	40,253	\$	38,756
Interim production financing		19,818		50,387
Lease obligations		20,014		24,102
Deferred revenue		17,682		30,381
Other liabilities		5,537		5,558
<b>Total liabilities</b>	<b>\$</b>	<b>103,304</b>	<b>\$</b>	<b>149,184</b>
<b>Shareholders' equity</b>	<b>\$</b>	<b>69,293</b>	<b>\$</b>	<b>66,670</b>

The above table summarizes certain information with respect to the Company's capitalization and financial position as at June 30, 2024 and June 30, 2023.

Total assets were \$172.6 million as at June 30, 2024, a decrease of \$43.3 million compared to \$215.9 million as at June 30, 2023. The decrease is primarily due to decreases in accounts receivable, investment in content and property and equipment. Tax credit receivables, included in accounts receivable, have decreased by \$28.0 million primarily due to the timing and completion of productions. The decrease in investment in content is due to the timing of delivery of projects and the related amortization. The decrease in property and equipment of \$5.9 million is due to lease terminations and modifications in the current fiscal year, as well as fewer computer equipment purchases than in the comparative year.

Total liabilities were \$103.3 million as at June 30, 2024, a decrease of \$45.9 million compared to \$149.2 million as at June 30, 2023. The decrease is mainly due to decreases in interim production financing, lease obligations and deferred revenue. Tax credit advances payable to clients (included in accounts payable and accrued liabilities) increased \$1.1 million and are related to the tax credit receivables above (the Company claims and collects tax credits on behalf of some clients). The decrease in interim production financing is due to net repayments of \$30.6 million during the year. Lease obligations have decreased due to lease terminations and modifications in the current year, and the decrease in deferred revenue of \$12.7 million is consistent with the timing of projects and the deliveries of IP in the current year.

Shareholders' equity was \$69.3 million as at June 30, 2024, an increase of \$2.6 million compared to \$66.7 million as at June 30, 2023. There was an increase in common shares of \$1.0 million due to the exercise of stock options, offset by shares repurchased and cancelled through the NCIB of \$0.8 million. There was a decrease in deficit of \$2.0 million for the year.

## LIQUIDITY

The Company's liquidity needs for the next twelve months are expected to be met by cash on hand, cash generated from operations and through a variety of sources including production bank loans. The Company's management will continue to pursue further sources of debt or equity financing to continue the development and production of film and television properties and facilitate strategic acquisitions as considered necessary.

As at June 30, 2024 the Company has a cash balance of \$25.2 million, as compared to cash of \$25.4 million as at June 30, 2023.

The following table reconciles the Cash Available for Use<sup>1</sup> and Cash Required for Use in Productions<sup>1</sup> to the total cash and cash equivalents for the years ended June 30, 2024 and 2023.

Cash Available for Use<sup>1</sup> is defined as the total cash and cash equivalents of the Company less Cash Required for Use in Productions<sup>1</sup>. Cash Available for Use<sup>1</sup> funds ongoing working capital requirements, principal, and interest payments on corporate demand loans as well as ongoing development and growth efforts.

Cash Required for Use in Productions<sup>1</sup> is defined as cash required for the funding of productions from the development stage through to completion that is not available for other uses. This cash has been provided by buyers and third-party IP owners that have engaged the Company to produce content, as well as banks with whom the Company has contracted to provide interim production financing. The decrease in Cash Required for Use in Productions<sup>1</sup> from June 30, 2023 to June 30, 2024 is primarily related to cash balances maintained for animation production services contracts.

#### Cash and cash equivalents

(\$000's)	June 30, 2024		June 30, 2023	
Cash Available for Use <sup>1</sup>	\$	11,499	\$	8,662
Cash Required for Use in Productions <sup>1</sup>	\$	13,717	\$	16,702
<b>Total cash and cash equivalents</b>	<b>\$</b>	<b>25,216</b>	<b>\$</b>	<b>25,364</b>

<sup>1</sup>Cash Available for Use and Cash Required for Use in Productions are Non-IFRS Measures, see "Non-IFRS Measures" section of this MD&A for their respective definitions to IFRS measures. The most directly comparable financial measure of the Company is total cash and cash equivalents, as reported below.

#### Net cash flows

(\$000's)	For the year ended June 30	
	2024	2023
	\$	\$
<b>Cash inflows (outflows) by activity:</b>		
Operating activities	37,673	13,182
Financing activities	(37,827)	(16,459)
Investing activities	(440)	(1,740)
Effect of exchange rate changes on cash	446	203
<b>Net cash inflows (outflows)</b>	<b>(148)</b>	<b>(4,814)</b>

Cash flows from operating activities in the year ended June 30, 2024 provided cash of \$37.7 million, compared to \$13.2 million in the comparative year. During fiscal 2024 cash provided by operating activities included amortization of \$29.2 million, compared to \$40.1 million in the comparative year, mainly due to a decrease in amortization of investment in content and right-of-use assets. There was a working capital inflow of \$17.3 million, compared to an outflow of \$0.9 million in the comparative year, due mainly to the decrease of accounts receivable and deferred revenues, and timing of payments and other receipts. Cash outflows relating to investment in content included outflows of \$12.5 million, compared to \$21.4 million in the comparative year.

Cash flows from financing activities are primarily driven by the Company's practice to finance productions in progress by way of production bank loans secured by refundable tax credits and distribution and licensing agreements on a per production basis in addition to a general security agreement. The bank loan drawn, and interest thereon is repayable upon receipt of the respective refundable tax credits and corresponding revenues receivable. Cash flows from financing activities used \$37.8 million in the year ended June 30, 2024 as compared to \$16.5 million in the comparative year. Net loan repayments were \$30.6 million in fiscal 2024, compared to \$7.0 million in fiscal 2023.

Cash outflows in the current year of \$1.2 million resulted from the repurchase of 591,400 common shares initiated under the NCIB, which was not in place in the comparative year.

Cash flows from investing activities primarily pertains to property and equipment purchases. During the year ended June 30, 2024, the Company purchased property and equipment, primarily computer equipment, totalling approximately \$0.5 million as compared to \$1.8 million in the comparative year.

## **CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to maintain financial flexibility 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, in addition to repurchasing its own common shares pursuant to the NCIB. 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 and the quarterly reforecasts are reviewed by the Board.

The Company has a credit agreement with the Royal Bank of Canada ("RBC") which provides the Company access to funding through distinct credit facilities. All facilities are repayable on demand and secured by General Security Agreements.

- A \$5.0 million revolving term loan for bridging production financing of productions being produced prior to closing of an applicable production facility. This bears interest at RBC's prime rate plus 1.25% and must be repaid on the earlier of 15 days after the individual production financing close or 180 days from the first drawdown. As at June 30, 2024, the Company had drawn down \$4.5 million.
- A \$5.0 million revolving term loan to finance distribution advances to greenlit Canadian content eligible productions owned by the Company, providing the financing of the distribution advance for each production does not exceed 20% of the production budget. This bears interest at RBC's prime rate plus 1.25%. As at June 30, 2024, this facility had not been drawn upon.
- An \$8.0 million revolving unmarginated operating line of credit bearing interest at RBC's prime rate plus 1.25%, to finance day-to-day operations and general corporate expenses. As at June 30, 2024, this facility had not been drawn upon.
- A \$40.0 million revolving production operating line of credit at an interest rate of RBC's prime rate plus 0.5% and secured by assignment of federal and provincial tax credits. Interest only is payable monthly in arrears with the principal repayment to be made upon the receipt of the tax credits for each single purpose production company. As at June 30, 2024, the Company had drawn down \$8.7 million.

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

The overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2023.

## **RISKS AND UNCERTAINTIES**

The Company is exposed to several specific and general risks that could affect the Company that each reader should carefully consider. The risks discussed herein are not exhaustive. Additional risks and uncertainties not presently known to the Company or that the Company does not currently anticipate will be material, may impair the Company's business operations and its operating results and as a result could materially impact its business, results of operations, prospects, and financial condition. This discussion about risks should be read in conjunction with the "Forward-Looking Statements" and the Company's most recent public disclosure documents.

The risks and uncertainties described below are those Thunderbird currently believes to be material. If any of the following risks, or any other risks that are not identified or that are currently considered not to be material, occur or become material risks, the business prospects, financial condition, results of operations and cash flows, and consequently the price of the Common Shares could be materially and adversely affected. In all these cases, the trading price of the Common Shares could decline, and an investor could lose all or part of their investment. References to "we", "our" and similar terms refer to Thunderbird.

### **Economic conditions**

Our operating performance is affected by general Canadian and worldwide economic conditions. Global financial conditions are subject to sudden and rapid destabilizations in response to future events, as government authorities may have limited resources to respond to future crises. Changes or fluctuations in economic conditions or economic uncertainty may affect discretionary consumer and business spending, resulting in increased or decreased demand for our product offerings. In addition, elevated consumer price index inflation driven by sharp increases in energy and food prices as well as supply disruptions and strong demand for goods can also affect the Company's business, operations and financial performance. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to consumer spending, employment rates, increased costs of labour, business conditions, inflation, disruption to supply chains, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, and interest rates and tax rates, may adversely affect our growth and profitability. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Current or future events caused by volatility in domestic or international economic conditions, a rapid destabilization of economic conditions, or a decline in economic growth may have a material adverse effect on Thunderbird, its operations and/or its financial results, as well as the market price of our securities. See also "Pandemics, endemics and other health risks" below.

### **Global economic turmoil and regional economic conditions**

Global economic turmoil, such as that created by global pandemics and their effects, and the impact of the wars in Ukraine and Gaza and the resulting humanitarian crises on the global economy, including the indirect impacts as a result of sanctions and economic disruptions, may cause a general tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, levels of intervention from the Canadian federal government and other foreign governments, decreased consumer confidence, overall slower economic activity, inflation, and extreme volatility in credit, equity and fixed income markets. A decrease in economic activity in Canada or in other regions of the world in which the Company does business could adversely affect demand for content, thus reducing the Company's business prospects, financial condition, results of operations and cash flows. A decline in economic conditions could reduce performance of the Company's television and home entertainment releases. In addition, an increase in price levels generally could result in a shift in consumer demand away from the entertainment the Company offers, which could also adversely affect the Company's results of operations and, at the same time, increase costs. For instance, lower household income and decreases in consumer discretionary spending, which is sensitive to general economic conditions, may affect cable television and other video service subscriptions, in particular with respect to digital programming packages, premium video programming packages and premium a la carte services on which the Company's networks are typically carried. A reduction in spending may cause a decrease in subscribers to the Company's networks, which could have a materially adverse impact on the Company's business prospects, financial condition, results of operations and cash flows. Moreover, financial institution failures may cause the Company to incur increased expenses or make it more difficult to finance any future acquisitions or engage in other financing activities.

### **Risks related to the nature of the film and television industry**

The film and television industry involves a substantial degree of risk. The industry is a rapidly evolving market, and our current business and future prospects are difficult to evaluate. Audience acceptance of film and television programming is a factor not only of the response to the production's artistic components, but also to the quality and acceptance of other competing forms of film and television programming released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors, all of which could change rapidly and most of which are beyond our control. Our success will depend on the commercial success of content, which is unpredictable. Operating in this industry involves risk. It is difficult to predict how the audience will receive a production. The audience reaction and reviews and ratings of the production are determining factors in the commercial success of a production. Failure to anticipate, identify, and react to changes in audience interests and consumer preferences could significantly lower sales of entertainment properties, brands and products and a lack of audience acceptance, or decline in popularity, for the film and television programming produced or distributed by us could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

In addition, we are subject to various operating risks that are common to the production and distribution industry, many of which are beyond our control, including, among others: (i) competition from other businesses, in particular, larger and more established companies, in the markets in which we operate; (ii) reduction in broadcaster and other platform programming budgets in the markets in which we operate, which may adversely affect our new production and revenues; (iii) strong dependency on government tax credits and subsidies as well as pre-sales to fund the production budgets; (iv) the requirement for continuous investment of capital into new production annually; (v) management's estimates of projected revenues and expenses being insufficient to cover the costs of production and causing substantial loss on new production; (vi) difficulties protecting IP and defending against IP infringements and claims; (vii) exposure to key broadcast customers and/or key distribution customers, based on business relationships that might be changed or terminated or that may not survive over the long term; and (viii) risks generally associated with the ownership of a business in the production and distribution industry. Changes in or the occurrence of any of the foregoing could materially and adversely affect our business and there can be no assurance that revenue from existing or future programming will replace loss of revenue associated with the cancellation or unsuccessful commercialization of any particular production.

Our results of operations will depend, in part, on the experience and judgment of management to select and develop new investment and production opportunities. We cannot make assurances that our film and television programs will obtain favourable reviews or ratings or that broadcasters or other customers will license the rights to broadcast any of our film and television programs in development or renew licenses to broadcast film and television programs in our library. The failure to achieve any of the foregoing could have a material adverse effect on our business, results of operations or financial condition. Licensed distributors' decisions regarding the timing of release and promotional support of our films, television programs and related products are important in determining the success of these films, television programs and related products. We do not control the timing and manner in which our licensed distributors distribute our films, television programs or related products. Any decision by those distributors not to distribute or promote one of our films, television programs or related products or to promote competitors' films, television programs or related products to a greater extent than they promote ours could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

We are also dependent on the public's continued demand for subscriptions of cable television and services provided by Subscription Video On Demand ("SVOD") and access to Advertised-Based Video on Demand ("AVOD") companies. Our customers rely on funds generated through cable and/or SVOD and AVOD subscriptions to fund the acquisition of new content. If customers decide to cancel their subscriptions to cable and/or SVOD and AVOD, it could have an impact on the number of networks and broadcasters with whom we could do business. Such external factors could have a material adverse effect on our business, operating results, and financial condition.

### **Changing Buyer Demand**

The media and content industry in which the Company operates is rapidly evolving, including the market and demand for content with the consolidation of businesses and streaming platforms, new licensing models, fluctuation in the advertising market, and continuously changing dynamics in the kids and family space. While management believes that the demand for high-quality content will continue overall, industry trends may change and the Company may be adversely affected by such changing industry trends, including potential impacts of changes in buyers' operating and programming strategies and a pullback on content spending on both new programming and on budgets for greenlit shows. Despite the proliferation of streaming services and unprecedented spending on content over the past few years, it is not certain that demand for content will be sustained over the long term or that the Company will benefit from consumer appetite for programming.

### **Technological advances including generative AI technologies**

The film and television industry continues to undergo significant and rapid changes driven by technological advances and evolving trends, including, most recently, generative artificial intelligence ("AI") technologies. We cannot accurately predict the overall effect that technological growth or the availability of alternative forms of entertainment may have on the potential revenue from, and profitability of, the film and television content produced or distributed by us. In particular, the conversion of content into digital formats may make it easier for consumers to create, transmit and "share" high quality unauthorized copies of motion pictures or television programs. As a result, consumers may be able to download and distribute unauthorized or "pirated" copies of such programming

over the internet, thereby adversely impacting revenues to distributors and producers. Significant growth in these consumer practices could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

In addition, in recent years, content consumers have spent an increasing amount of time on the internet and on mobile devices and increasingly seek to download and/or view content on a time-delayed or on-demand basis, via televisions and on handheld or portable devices, which has caused significant changes to the retail distribution of content. Additionally, the emergence of new production or computer-generated imagery technologies, or a new digital television broadcasting standard, may diminish the value of our existing equipment and content.

The film and television industry is constantly undergoing change with respect to the formats through which films, television programming and related products are ultimately delivered to the consumer. Although we are committed to adapting new production technologies, there can be no assurance that we will be able to incorporate other new production and postproduction technologies which may become de facto industry standards. In particular, the advent of new broadcast standards, which may result in television programming being presented with greater resolution and on a wider screen than is currently the case, may diminish the evergreen value of our programming library because such productions may not be able to take full advantage of such features. There can be no assurance that we will be successful in adapting to these changes on a timely basis. Furthermore, the possible impact and effects of generative AI on the media industry and the Company's business are wide ranging and have the potential to be highly significant. Currently, it is unclear and difficult to assess the full scope and extent of the impact and effects on the Company and the media industry more broadly.

Management believes that the changes in consumer preferences will continue to be felt across our businesses and that the impact of these changes can be very difficult to predict. A failure by us to adequately foresee, assess and capitalize upon such changes could result in a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

#### **Concentration risk**

Revenue may originate from disproportionately few broadcasters and OTT customers. As these contracts expire, there could be an adverse effect on our business and operations if we are unable to renew on acceptable terms or at all. Accordingly, a significant change in the relationship with, or a reduction in the revenue generated by any such broadcasters or customers, could result in a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

#### **Competition**

Substantially all of our revenues are derived from the production and distribution of film and television programs. We face competition from other companies in both our production and distribution operations and in our acquisition and growth strategy in pursuit of additional content. Some of our competitors are significantly larger and have substantially greater marketing, production, and financial resources than us, which means they may be able to compete aggressively on pricing and other aspects of future production and distribution opportunities and may be able to offer better acquisition terms. We compete with other film and television production companies for ideas and storylines created by third parties as well as for actors, directors, and other personnel required for production. We compete for the time and attention of audiences on the basis of a number of factors, including quality of experience, relevance, acceptance and perception of content quality, ease of use, price, accessibility, perception of ad load, brand awareness and reputation. Further, vertical integration of the television broadcast industry worldwide and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available time slots for programs produced by third-party production companies, even though the total number of outlets for programming has increased. There can be no assurances that we will be able to compete successfully in the future or that we will continue to produce or acquire rights to additional successful programming or enter into agreements for the acquisition, financing, production, distribution, or licensing of programming on terms favourable to us. There continues to be intense competition for the most attractive time slots offered by various broadcasting services. There can be no assurances we will be able to increase or maintain penetration of broadcast schedules. Such competition may result in us losing access to future opportunities, which

would have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

#### **International distribution activities**

We directly engage in international distribution activities, and in certain circumstances we partner with key international distributors as a means of financing production budgets and exploiting our programming around the world. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks that are different from those in Canada. Collectively, we and our international distribution partners face certain business risks that could indirectly adversely affect our financial results. These risks include laws and policies affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes, and changes in these laws; difficulties and costs associated with understanding and complying with local laws, regulations and customs in foreign jurisdictions; changes in local regulatory requirements, including the introduction of quotas or restrictions on local content; differing cultural tastes and attitudes; differing degrees of protection for intellectual property; differing technical requirements; increased costs of adapting products to foreign countries; differing degrees of protection for intellectual property rights in some countries; new and different sources of competition and international pricing pressure; and the instability of foreign economies and governments. Changes in or the occurrence of any of these factors could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

#### **Dependence on management information systems**

Our ability to conduct our business, including maintaining financial controls, is based in part on the efficient and uninterrupted operation of our networks, information technology systems, hardware and software, including management information systems and access to the internet. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems, applications and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increases in capital and remediation expenditures.

If any of our financial, rights management, personnel, email, other information technology systems, internet access or other systems or processes were to stop operating properly for any significant period for any reason (including, for example, hardware or software malfunctions, computer viruses, internet problems, network outages or sabotage), we could suffer a disruption to our business, loss of data, regulatory intervention or reputational damage.

#### **Risks related to privacy and information security**

The protection of customer, employee and company data is important to our business. We use and store personally identifiable and other sensitive information of our customers and employees. The collection and use of personally identifiable information is governed by federal and provincial laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase our operating costs and adversely affects our ability to market products and services. Information technology infrastructure may be vulnerable to criminal cyber-attacks or data security incidents, including, ransom of data, such as, without limitation, customer and/or employee information, due to employee error, malfeasance, or other vulnerabilities. Any such incident could compromise our networks and the information we store could be accessed, misused, publicly disclosed, corrupted, lost, or stolen, resulting in fraud, including wire fraud related to our assets, or other harm. If a data security incident or breach affects our systems or results in the unauthorized release of personally identifiable information, our reputation and brand could be materially damaged and we may be exposed to a risk of loss or litigation and possible liability, which could result in a material adverse effect on our business, results of operations and financial condition.

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies and in the future, we may expend additional resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that we will not suffer a data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on our systems, or that any such incident will be discovered in a timely manner. Any such incident could affect our business and, among other things, result in the loss of revenue, the loss or

unauthorized access to confidential information or other assets, the loss of or damage to trade secrets, damage to our reputation, litigation, regulatory enforcement actions, violation of privacy, security or other laws and regulations and remediation costs. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats.

### **Service disruptions**

The Company relies on third party providers for, among other things, telecommunications services and back up data storage. Service disruptions or failures of the Company's or our third-party service providers' information systems and networks as a result of computer viruses, misappropriation of data or other acts, natural disasters, extreme weather, accidental releases of information or other similar events, may disrupt our business, damage our reputation, expose us to regulatory investigations, actions, litigation, fines and penalties or have a negative impact on our results of operations, including, but not limited to, a loss of revenue or profit, loss of customers or sales, loss of consumer confidence and other adverse consequences.

### **Protection of intellectual property**

Our ability to compete depends, in part, upon successful protection of our intellectual property. From time to time, various third parties may contest or infringe upon our intellectual property rights. There can be no assurance that our actions to establish and protect copyright, trademarks and other proprietary rights will be adequate to prevent imitation by others of entertainment programming produced and/or distributed by us or to prevent third parties from seeking to block our distribution and exploitation of contract rights as a violation of their trademarks and proprietary rights. Any infringement, including increasingly rampant online piracy and illegal distribution of copyrighted content, may have a material adverse impact on our operations and financial results.

There can be no assurance that others will not assert rights in, or ownership of, the Company's trademarks, copyrights and other proprietary rights, or that the Company will be able to successfully resolve these conflicts. Any successful claims to the ownership of these intangible assets could hinder our ability to exploit these rights. We may not have the financial resources to protect our rights to the same extent as our competitors. We attempt to protect proprietary and intellectual property rights to our productions through available copyright and trademark laws in a number of jurisdictions and licensing and distribution arrangements with reputable international companies in specific territories and media for limited durations. Despite these precautions, existing copyright and trademark laws afford only limited practical protection in certain countries in which we may distribute our products and in other jurisdictions no assurance can be given that challenges will not be made to our copyright and trademarks. In addition, technological advances, and conversion of motion pictures into digital format have made it easier to create, transmit and share unauthorized copies of motion pictures and television shows. Users may be able to download and distribute unauthorized or "pirated" copies of copyrighted material over the internet. As long as pirated content is available to download digitally, some consumers may choose to digitally download material illegally. As a result, it may be possible for unauthorized third parties to copy and distribute our productions or certain portions or applications of our intended productions, which could have a material adverse effect on our business prospects, results of operations or financial condition.

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

### **Potential for budget overruns and other production risks**

A production's costs may exceed its budget. Unforeseen events such as labour disputes, threats of infectious diseases or pandemics, death or disability of a star performer, changes related to technology, special effects or other aspects of production, shortage of necessary equipment, damage to master tapes and recordings, adverse weather

conditions, or other unforeseen events may cause cost overruns and delay or frustrate completion of a production. Although we have historically completed our productions substantially within budget, there can be no assurance that we will continue to do so. There can be no assurance that any overrun resulting from any occurrence will be adequately covered or that any insurance and/or completion bonds will continue to be available or, if available on terms acceptable to us. In the event of budget overruns, we may have to seek additional financing from outside sources to complete production. No assurance can be given as to the availability of such financing or, if available on terms acceptable to us. In addition, in the event of substantial budget overruns, there can be no assurance that such costs will be recouped, which could have a significant impact on our business prospects, financial condition, results of operations and cash flows.

#### **Limited ability to exploit film and television content library**

We depend on a limited number of titles for the majority of the revenues generated by our film and television content library. The success of any title is dependent on a variety of factors, including promotional and marketing activities, the quality and acceptance of other competing programs, general economic conditions and other intangible factors, all of which can rapidly change and many of which are beyond our control. The rapid decline in popularity of any of the titles on which we rely could have a material adverse effect on our revenues and our results of operations. Our growth relies on the continued success of our existing titles, as well as the acquisition or development of new products and titles. If we cannot acquire new products and rights to popular titles through production, distribution agreements, acquisitions, mergers, joint ventures, or other strategic alliances, it could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

#### **Reliance on distribution of Canadian content and government funding**

Our library includes several film and television titles that are certified as Canadian content programming (“Cancon”). The titles produced by our television production operations in Canada are also certified as Cancon. In Canada and under international co-production treaties, under applicable regulations, a program will generally qualify as a Cancon production if, among other things: (i) it is produced and owned or co-owned by a Canadian-controlled entity with the involvement of Canadians in certain key prescribed principal functions; and (ii) a substantial portion of the budget is spent on Canadian elements and post-production in Canada. In addition, (and except for a treaty co-production) the Canadian producer must have full creative and financial control of the project. Canadian broadcasters are required by the Canadian Radio-television and Telecommunications Commission (the “CRTC”), as a condition of their broadcast licences, to devote a certain amount of their programming schedules to the broadcast of Cancon and to spend a certain portion of their revenues on Cancon. There can be no assurance that the CRTC’s policies applicable to Canadian broadcasters with respect to Cancon will not be changed, eliminated or scaled back, thereby reducing the advantages that they currently provide to us as a supplier of such programs.

In addition, many of our programs are contractually required by broadcasters to be certified as “Canadian” under the CRTC’s policies. Although we have taken measures to ensure that we continue to be “Canadian” under the Investment Canada Act, there can be no assurance that our programming will continue to qualify as Cancon. In the event a production does not qualify for certification as “Canadian”, we would be in default under any government incentive and broadcast licenses for that production, Canadian broadcasters would not be able to use the programs to meet their Canadian programming obligations and the broadcaster could refuse acceptance of our productions.

In addition to license fees from domestic and foreign broadcasters and financial contributions from co-producers, we finance a significant portion of our production budgets from certain governmental incentive programs and tax credits in Canada, as described in note 3(p) “Government financing and assistance” of Thunderbird’s audited consolidated financial statements for the year-ended June 30, 2024. There can be no assurance that such incentive programs or tax credits will not be reduced, amended, or eliminated or that we or any production will qualify for them. Any such change could have a material adverse impact on our business prospects, financial condition, results of operations and cash flows.

#### **Loss of our Canadian status**

We and our subsidiaries are able to benefit from a number of licenses, incentive programs and Canadian government tax credits as a result of being “Canadian” as defined under the Investment Canada Act. In particular, we will not qualify as Canadian if Canadian nationals cease to beneficially own shares of the Company having more than 50% of

the combined voting power of its outstanding shares. Further, the Minister of Canadian Heritage may nevertheless determine that we are not a Canadian-controlled entity under the Investment Canada Act. As well, many of our programs are contractually required by broadcasters to be certified as “Canadian”. In the event a production does not qualify for certification as Canadian, we would be in default under any government incentive and broadcast licenses for that production. In the event of such default, the broadcaster could refuse acceptance of our productions. If we lost our Canadian status, this would have a material adverse effect on our business prospects, financial condition, results of operations and cash flows, as well as the market price of our securities.

In addition, any changes in such laws or regulations or in how they are interpreted, and the adoption of new laws or regulations could negatively affect the Company.

#### **Changes in regulatory environment**

Our operations may be negatively affected in varying degrees by future adverse changes in the regulatory environment that currently governs the film and television industry. Any change in the regulatory environment could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows, as well as the market price of our securities.

#### **Liquidity**

The Company manages liquidity carefully to address fluctuating quarterly revenues. Any failure of the Company to adequately manage such liquidity could adversely affect the Company’s business and results of operations. The Company’s production revenues for any period are dependent on the number and timing of programs delivered, which cannot be predicted with certainty. The Company’s distribution revenues vary significantly from quarter to quarter driven by contracted deliveries with television and other services. Distribution revenues are contract and demand driven and can fluctuate significantly from period to period. The Company manages liquidity by forecasting and monitoring operating cash flows and through the use of capital leases and maintenance of credit facilities. Any failure to adequately manage liquidity could adversely affect the Company’s business and results of operations, including by limiting the Company’s ability to meet its working capital needs, make necessary or desirable capital expenditures, satisfy its debt service requirements, make acquisitions, and declare dividends on its Common Shares. There can be no assurance that the Company will continue to have access to sufficient short and long-term capital resources, on acceptable terms or at all, to meet its liquidity requirements.

#### **Merchandising risks**

Success of merchandising brands depends on consumers’ tastes and preferences that can change in unpredictable ways. We depend on the acceptance by consumers of our merchandising offerings; therefore, success depends on the ability to predict and take advantage of consumer tastes in Canada and around the world. In addition, we derive royalties from the sale of licensed merchandise by third parties. We are dependent on the success of those third parties. Factors that negatively impact those third parties could adversely affect our business prospects, financial condition, results of operations and cash flows.

#### **Pandemics, epidemics and other health risks**

Pandemics, epidemics and other health risks could occur, which could adversely affect the Company’s ability to maintain operations, as well as the ability of suppliers to provide products and services needed to operate the business. Pandemics, epidemics and other health risks could also have an adverse effect on the economy and financial markets resulting in a declining level of retail and commercial activity, which could have a negative impact on the demand for, and prices of, our products and services.

Health epidemics or pandemics can adversely affect consumer spending and confidence levels and supply availability and costs, as well as the local operations in impacted markets, all of which can adversely affect the financial results, condition and outlook of the Company.

Health epidemics or pandemics may also heighten other risks disclosed in this “Risks and Uncertainties” section, such as, but not limited to, those related to consumer behavior. The extent to which a pandemic or public health crisis impacts the Company’s business, affairs, operations, financial condition, liquidity, availability of credit and

results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision.

### **Dependence on key personnel**

We are dependent on members of our senior management team and skilled personnel at all levels and believe that our future financial success and ability to meet our financial objectives will depend in part, on our ability to retain highly skilled management and personnel. We are also dependent on the implementation of adequate succession planning procedures in respect of key roles, to ensure continuity. Our success is also highly dependent on our continuing ability to identify, hire, train, retain and motivate highly qualified personnel who have specialized technical knowledge regarding our business and industry. Competition for highly skilled technical, management, marketing, sales and other employees is high in our industry, and we may not be successful in attracting and retaining such personnel. The departure of any of the executive directors or certain senior officers could, in the short-term, have an adverse effect on our business prospects, financial condition, results of operations and cash flows. The Board of Directors cannot give any assurances that they, or any of the members of senior management, will remain with the Company. If we fail to attract and retain skilled personnel, executive officers and other key employees could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows and we may not be able to grow our business as anticipated.

### **Employee relations**

The Company's operations depend on the expertise, efforts and engagement of its employees. The industry is competitive in attracting and retaining a skilled workforce. The loss of key employees, through attrition or retirement or any deterioration in overall employee morale and engagement resulting from organizational changes, unresolved collective agreements or other events could have a material adverse impact on the Company's business prospects, financial condition, results of operations and cash flows. As well, failure to establish an effective succession plan could impair operations until qualified replacements are found.

A critical component of Thunderbird's success is our corporate culture, which we believe fosters innovation, encourages teamwork, cultivates creativity and promotes focus on execution. As we continue to grow, we may find it difficult to maintain these valuable aspects of our corporate culture. Any failure to preserve our culture could negatively impact our future success, including our ability to attract and retain employees, encourage innovation and teamwork and effectively focus on and pursue our corporate objectives; the occurrence of any of the foregoing could have a material adverse impact on the Company's business prospects, financial condition, results of operations and cash flows.

The Company values employment diversity. The Company is committed to building and maintaining a diverse workforce and inclusive work environment throughout the organization. The Company continues to re-examine its diversity and inclusion plans and business processes as they pertain to recruitment and retention. A portion of production financing may come from broadcasters or other funds that require a certain number or type of production crew positions be held by historically underrepresented communities. Failure to address systemic racism could have an adverse impact on the Company's reputation, operations and/or financial results.

### **Labour relations**

Many individuals associated with our projects are members of guilds or unions which bargain collectively with producers on an industry-wide basis from time to time.

While we have positive relationships with the guilds and unions in the industry, a renegotiation with, strike by, labour protest, or a lockout of, one or more of the guilds or unions that provide personnel essential to the production by us or our content partners of film and television programming could delay or halt the delivery of such programming and/or increase expenses. Such a halt or delay, depending on the length of time and the number of productions affected, could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

As of August 2024, we understand, based on publicly available information, that collective bargaining negotiations between the Alliance of Motion Picture and Television Producers ("AMPTP"), which is the official collective

bargaining representative, and the International Alliance of Theatrical Stage Employees (“IATSE”) Local 839, which represents animators and other related professionals, have seen some progress but remain unresolved. We understand that the key issues under discussion include compensation, production outsourcing (to foreign countries), working conditions, regulating the use of AI in animation production, and staffing thresholds and that both parties are continuing negotiations, but issues remain unresolved. The current collective agreement has been extended until September 20, 2024, which enables continuing negotiations. However, there is no certainty that such an agreement will be reached, and even if reached, whether it will be on terms satisfactory to all parties. If either of the foregoing were to occur, it could result in the risks described in the paragraph above, including causing a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

#### **Litigation**

Governmental, legal or arbitration proceedings may be brought or threatened against us in the future. Regardless of their merit, any such claims could be time consuming and expensive to evaluate and defend, divert management’s attention and focus away from the business and subject us to potentially significant liabilities, subject us to a loss of consumer confidence and may negatively impact our reputation. Any such litigation or other proceeding may have a negative impact on the market price of our securities.

#### **Reputation damage**

Our ability to maintain our existing customer relationships and to attract new customers depends to a large extent on our reputation. While we have put in place certain mechanisms to mitigate the risk that our reputation may be tarnished, including good governance practices, a Code of Ethics, and Environmental, Social and Governance (ESG) planning, we cannot be assured that we will continue to enjoy a good reputation nor can we be assured that events that are beyond our control will not cause our reputation to be negatively impacted. The loss or tarnishing of our reputation could have a material adverse effect on our business, prospects, financial condition and results of operations.

#### **Risks of liability claims for content**

As a distributor and producer of content, we may face potential liability for defamation, invasion of privacy, negligence, copyright or trademark infringement and other claims based on the nature and content of the materials distributed. These types of claims have been brought, sometimes successfully, against producers and distributors of content. Any imposition of liability that is not covered by insurance or is more than insurance coverage could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

#### **Fluctuation of financial results**

The results of operations for any period are largely dependent on the number, timing and commercial success of television and other programs as well as related merchandise and other ancillary revenue sources, realized during that period, none of which can be predicted with certainty or are entirely within our control. Consequently, our results of operations may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods.

#### **Holding company structure**

Substantially all of our business activities are operated by our subsidiaries. As a holding company, the Company’s ability to meet its financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from its subsidiaries together with proceeds raised by the Company through the issuance of equity and the incurrence of debt, and from proceeds received on the sale of assets. The payment of dividends and the making of loans, advances and other payments to the Company by its subsidiaries may be subject to statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

#### **Conflicts of interest**

Certain of the directors and officers of Thunderbird are or may become directors of other entertainment companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions of the Board of Directors. To the extent that such other companies may participate in ventures in which we are also participating, such directors and officers may have a conflict of interest in negotiating and reaching an agreement

with respect to the extent of each company's participation. The corporate laws of British Columbia require the directors and officers to act honestly and in good faith with a view to the best interests of Thunderbird. However, in conflict-of-interest situations, our directors and officers may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions. There is no assurance that the interests of Thunderbird will receive priority in all cases.

#### **Costs and compliance risks as a result of being a public company**

Legal, accounting, and other expenses associated with public company reporting requirements have increased significantly in recent years. We anticipate that general and administrative costs associated with regulatory compliance will continue to increase with evolving corporate governance requirements, including rules implemented by the Canadian Securities Administrators and the TSXV, and will result in some activities becoming more time-consuming and costly. There can be no assurance that we will be able to effectively meet all the requirements of these evolving regulations. Any failure to effectively implement governance practices, internal controls, or to resolve difficulties encountered in their implementation, could harm our operating results, or result in the failure to meet reporting obligations. Any such result could cause investors to lose confidence in Thunderbird's reported information, which could have a material adverse effect on the market price of our Common Shares.

#### **Enforcement of actions**

It may be difficult for U.S. or other foreign investors to bring actions and enforce judgments. Investors in the U.S. or in other jurisdictions outside of Canada may have difficulty bringing actions and enforcing judgments against the Company, its directors, and its executive officers named in this MD&A based on civil liabilities provisions of the federal securities laws or other laws of the U.S. or any state thereof or the equivalent laws of other jurisdictions of investor residence. There is some doubt as to whether a judgment of a U.S. court based solely upon the civil liability provisions of U.S. federal or state securities laws would be enforceable in Canada against the Company, its directors and officers, or the experts named in this document. There is also doubt as to whether an original action could be brought in Canada against the Company or its directors and officers or the experts named in this document to enforce liabilities based solely upon U.S. federal or state securities laws.

#### **Climate change**

Climate change is increasingly impacting individuals, communities and businesses. Severe weather events and fires are becoming routine and could impact or disrupt the Company's production schedules, shipment of necessary goods, and supply chains. It is possible that some or all of the costs, damages or impacts associated with extreme weather events and fires may not be covered by the Company's insurance policies. The cost of such insurance coverage may become increasingly more expensive and such policies may be subject to limitations in the future, in which case the Company may bear more or all of the costs associated with extreme weather events and fires, which could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

#### **Actions by shareholders**

Our business, financial condition and operating results could be negatively affected as a result of actions by shareholders, including the initiation of a proxy contest. Responding to proxy contests and other actions by shareholders can be costly, time consuming, and could divert the attention of our Board of Directors and our management team from the management of our operations and the pursuit of our business strategies.

#### **Investment strategy**

There can be no certainty that we will be able to implement successfully the strategy set out in this document and our public disclosure record. Implementation of our strategy is subject to risks beyond our control, including competition, market acceptance of entertainment properties and brands, changes in economic conditions, ability to obtain or renew licenses on commercially reasonable terms, and ability to finance investment in entertainment properties and brands. Our ability to implement our strategy in a competitive market requires effective planning and management control systems. Our future growth will depend on our ability to expand and improve operational, financial and management information and control systems in line with its growth. Failure to do so could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows, as well as a negative impact on the market price of our securities.

**Acquisitions**

We have made, and will continue to pursue, various acquisitions, business combinations and joint ventures intended to complement or expand our business.

The public announcement of potential future corporate developments may significantly affect the market price of the Common Shares. Management of the Company, in the ordinary course of the Company's business, regularly explores potential strategic opportunities and transactions. These opportunities and transactions may include strategic joint venture relationships, significant debt or equity investments in the Company by third parties, the acquisition or disposition of material assets, the licensing, acquisition or disposition of material IP, the development of new product lines or new applications for its existing IP, significant distribution arrangements, and other similar opportunities and transactions. The public announcement of any of these or similar strategic opportunities or transactions might have a significant impact on the price of the Common Shares. The Company's policy is to not publicly disclose the pursuit of a potential strategic opportunity or transaction unless it is required to do so by applicable law, including applicable securities laws relating to continuous disclosure obligations. There can be no assurance that investors who buy or sell Common Shares of the Company are doing so at a time when the Company is not pursuing a particular strategic opportunity or transaction that, when announced, would have a significant effect on the price of the Common Shares.

Any indebtedness incurred or assumed in any such transaction may or may not increase our leverage relative to our earnings before interest, provisions for income taxes, depreciation, and amortization, or relative to our equity capitalization, and any equity issued may or may not be at prices dilutive to our then existing shareholders. We may encounter difficulties in integrating acquired assets with our operations. Furthermore, we may not realize the benefits we anticipated when we entered these transactions. In addition, the negotiation of potential acquisitions, business combinations or joint ventures as well as the integration of an acquired business could require us to incur significant costs and cause diversion of management's time and resources. Future acquisitions could also result in an impairment of goodwill and other intangibles, development project impairments and other acquisition-related expenses.

Any of the foregoing could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

**Future financing**

We may need additional financing due to future acquisitions, changes in our business plan or failure of our business plan to succeed, including increasing marketing, distribution or programming costs or to refinance our debt when due. Our actual funding requirements could vary materially from our current estimates. Given the sensitivity of capital markets worldwide, there is a risk that we may not be able to obtain additional equity or debt financing on favourable terms or at all. While management believes that the Company possesses sufficient cash resources, access to capital markets and other liquidity sources to execute the Company's business plan, an inability to access financing at a reasonable cost could affect our ability to grow. In addition, in instances where the Company issues equity, such issuance will result in the then existing shareholders of the Company sustaining dilution to their relative proportion of the equity in the Company. If we fail to obtain any necessary financing on a timely basis, our ability to execute our current business plan may be limited, and our business could be adversely affected. As a result, we could default on our commitments to creditors or others and may have to seek a purchaser for our business or assets.

**Changes to taxation legislation**

We operate in a number of different tax jurisdictions. In any of the jurisdictions, the tax rules and their interpretation may change. Any change in taxation legislation or regulation or its interpretation could affect the value of our assets, our ability to provide returns to shareholders or otherwise have an adverse effect on our business prospects, financial condition, results of operations and cash flows. Further, any relief from taxation that may be available to us in the future may not be in accordance with the assumptions made by us as to our future performance (these assumptions being based on the current legislative position and any known future changes). If the assumptions made by us as to such taxation relief available do not prove correct, our ability to provide returns to shareholders may be

affected and there may be a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

#### **Income taxes and audits from tax authorities**

In preparing our financial statements, we are required to estimate production tax credits receivable in each of the jurisdictions in which we operate, taking into consideration tax laws, regulations and interpretations that pertain to our activities. In addition, we are subject to audits from these tax authorities on an ongoing basis and the outcome of such audits could materially affect the amount of tax credits receivable recorded on our consolidated balance sheets and the income tax expense recorded on our consolidated statements of earnings. Any cash payment or receipt resulting from such audits would have an impact on our cash resources available for our operations and our overall results of operations.

#### **Fluctuations in the price of securities**

Fluctuations in the price of our Common Shares could contribute to the loss of all or part of your investment. Factors that could have a material adverse effect on your investment include, but are not limited to: (i) fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar; (ii) success of competitors; (iii) actual or anticipated changes in the market's expectations about operating results; (iv) changes in laws and regulations affecting the business; (v) changes in our capital structure, such as future issuances of securities or the incurrence of additional debt; or (vi) our operating results failing to meet the expectation of securities analysts or investors in a particular period. In such circumstances, the trading price may not recover and may experience a further decline.

In addition, broad market and industry factors may materially harm the market price of our securities irrespective of operating performance. The stock market in general and the TSXV in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the companies affected. The trading prices and valuations of these stocks and of our securities, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies which investors perceive to be similar to us could depress the share price regardless of our business prospects, financial conditions, or results of operations. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and to obtain additional financing in the future.

#### **The impact of any changes in interest rates**

We do not presently actively make use of derivative financial instruments to mitigate the impact of changes in interest rates. Any movements in the applicable interest rate on our debt could adversely impact our financial condition.

#### **Impacts of fluctuations in exchange rates**

We may be adversely affected by exchange rate fluctuations. A portion of the Company's revenues and expenses are in currencies other than Canadian dollars and, therefore, are subject to fluctuations in exchange rates. Currency exchange rates are determined by market factors beyond our control and may vary substantially during a production period. In addition, our ability to repatriate Canadian funds arising in connection with foreign exploitation of our properties may also be adversely affected by currency and exchange control regulations imposed by the country in which the production is exploited. At present, we are not aware of any existing currency or exchange control regulations in any country in which we currently contemplate exploiting our properties which would have an adverse effect on our ability to repatriate such funds. Where appropriate, we hedge our foreign exchange risk using derivatives or other measures. Fluctuations in exchange rates between the Canadian dollar and the U.S. dollar may have a material impact on our business prospects, financial condition, results of operations and cash flows.

#### **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The Company's financial assets and liabilities consist of cash and cash equivalents, trade receivables and other, accounts payable and accrued liabilities, interim production financing and redeemable preferred shares. The Company is exposed to credit risk, liquidity risk and market risk in the normal course of operations.

The Board 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 and other. All cash and cash equivalents balances are held at major Canadian and U.S. banking institutions. Trade receivables are mainly with Canadian broadcasters, large international distribution companies and leading OTT platforms.

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 become due. The Company's approach to managing liquidity is to ensure, as much 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 (see Note 16 of the audited consolidated financial statements for June 30, 2024 for further details).

### Cash outflows relating to financial liabilities

<i>(\$000's)</i>	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
Lease obligations	4,592	7,210	8,212	20,014
Redeemable preferred shares	465	116	-	581
	<b>82,810</b>	<b>7,326</b>	<b>8,212</b>	<b>98,348</b>

The Company now has the option to retract the redeemable preferred shares at a value of \$1.05 per share. In addition, the shareholders may now convert their preferred shares into common shares at a ratio of 3:1 or may redeem their shares at a price of \$1.05 per share. The Company also pays an annual dividend of \$0.07 per preferred share.

### 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 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 that 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 or 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 U.S. dollars (“USD”) accounted for 31% (2023 – 31%) of total revenue, revenue denominated in Great British 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 (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 approximately 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).

#### **TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES**

At June 30, 2024, \$396 (2023 - \$440) was payable to the Chair and Chief Executive Officer (Jennifer Twiner McCarron).

The related party transactions are made on terms equivalent to those that prevail in arm’s length transactions. All outstanding balances at the quarter-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.

#### **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 financial statements and for the periods presented. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to financial statements, have been set out in note 3 of Thunderbird’s audited consolidated financial statements for the year-ended June 30, 2024, filed under the Company’s profile at [www.sedarplus.ca](http://www.sedarplus.ca). Actual results may differ materially from these estimates (refer to page 1 of this MD&A for more information regarding forward-looking statements).

#### **SIGNIFICANT ACCOUNTING POLICIES**

The Company’s critical accounting policies and estimates are disclosed in the “Summary of Material Accounting Policies” note 3 in the Annual Financial Statements for the year ended June 30, 2024.

#### **Standards issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the current year and have not been early adopted. These standards are not expected to have a material impact on the Company.

#### **NON-IFRS MEASURES**

In addition to the results reported in accordance with IFRS, the Company uses various non-IFRS financial measures which are not recognized under IFRS, and therefore do not have standardized meanings prescribed by IFRS, as supplemental indicators of our operating performance and financial position. The Company’s method of calculating such financial measures may differ from the methods used by other issuers and, accordingly, our definition of these non-IFRS financial measures may not be comparable to similar measures presented by other issuers. These non-IFRS

financial measures are provided to enhance the user's understanding of our historical and current financial performance and our prospects for the future. Management believes that these measures provide useful information in that they exclude amounts that are not indicative of our core operating results and ongoing operations and provide a more consistent basis for comparison between periods. The following discussion explains the Company's use of EBITDA, AEBITDA, Free Cash Flow, AEBITDA Margin, Gross Margin, Cash Available for Use, and Cash Required for Use in Productions, and provides reconciliations to the most directly comparable financial measures under IFRS.

"EBITDA" is calculated based on net income before interest, income taxes, and depreciation and amortization. Refer to section "Non-IFRS Measures Reconciliations" below of the MD&A for a reconciliation of this measure to the most directly comparable measure under IFRS, which is net income.

"AEBITDA" is calculated based on EBITDA before share-based compensation, unrealized foreign exchange gain/loss and items of an unusual or one-time nature that do not reflect our ongoing operations. EBITDA and AEBITDA are commonly reported and widely used by investors and lenders as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. Refer to section "Non-IFRS Measures Reconciliations" below of this MD&A for a reconciliation of this measure to the most directly comparable measure under IFRS, which is net income.

"Free Cash Flow" is calculated based on cash flows from operations, purchase of property and equipment and net interim production financing. Free Cash Flow represents the cash a company generates after accounting for cash inflows and outflows to support operations and maintain its capital assets. Refer to section "Non-IFRS Measures Reconciliations" below of this MD&A for a reconciliation of this measure to the most directly comparable measure under IFRS, which is cash flows from operating activities.

"AEBITDA Margin" is calculated as a ratio of AEBITDA over total revenues. AEBITDA Margin is a non-IFRS ratio when applied to non-IFRS financial measures.

"Gross Margin" is calculated as a ratio of revenue that exceeds direct operating costs. Management considers Gross Margin a useful indicator of profitability before operating and other expenses, aiding in the assessment of the Company's ability to generate net earnings and cash flow. Refer to section "Non-IFRS Measures Reconciliations" below of this MD&A for a reconciliation of this measure to the most directly comparable measure under IFRS, which is gross profit.

"Cash Available for Use" is defined as the total cash and cash equivalents of the Company less Cash Required for Use in Productions. Cash Available for Use funds ongoing working capital requirements, principal and interest payments on corporate demand loans as well as ongoing development and growth efforts and thus is an important liquidity measure that management uses to monitor the business on an ongoing basis. Refer to section "Non-IFRS Measures Reconciliations" below of this MD&A for a reconciliation of this measure to the most directly comparable measure under IFRS, which is cash and cash equivalents.

"Cash Required for Use in Productions" is defined as cash required for the funding of productions from the development stage through to completion that is not considered by the Company to be available for other uses. The cash is not legally restricted and has not been classified as Restricted Cash on the consolidated statement of financial position. This cash has been provided by buyers and third-party IP owners that have engaged the Company to provide services, as well as banks with whom the Company has contracted to provide interim production financing. Management uses the amount of Cash Required for Use in Productions to determine the Company's Cash Available for Use. Refer to section "Non-IFRS Measures Reconciliations" below of this MD&A for a reconciliation of this measure to the most directly comparable measure under IFRS, which is cash and cash equivalents.

### Non-IFRS Measures Reconciliations

The following table presents the reconciliation from net income (loss) to EBITDA and AEBITDA, for the three months and years ended June 30, 2024 and 2023.

(\$000's)	For the three months ended		For the year ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
<b>Net income (loss) for the period</b>	<b>2,480</b>	<b>(2,569)</b>	<b>2,378</b>	<b>(5,011)</b>
Income tax expense (recovery)	584	(374)	930	27
Deferred income tax expense (recovery)	343	(685)	431	(1,815)
Finance costs				
Interest	472	793	1,461	2,340
Dividends on redeemable preferred shares	7	7	29	29
Amortization				
Property and equipment	359	348	1,734	2,047
Right-of-use assets	1,661	2,372	7,079	10,938
Intangible assets	67	67	270	270
	3,493	2,528	11,934	13,836
<b>EBITDA</b>	<b>5,973</b>	<b>(41)</b>	<b>14,312</b>	<b>8,825</b>
Share-based compensation	117	260	739	834
Unrealized foreign exchange loss (gain)	22	(171)	28	363
Gain on disposal of property and equipment	(37)	-	(29)	-
Loss on termination of leases	-	-	40	-
Restructuring and other costs	879	639	1,603	638
Proxy contest	-	-	-	2,101
	981	728	2,381	3,936
<b>AEBITDA</b>	<b>6,954</b>	<b>687</b>	<b>16,693</b>	<b>12,761</b>

The following table presents the reconciliation from cash flows from operations to Free Cash Flow, for the three months and years ended June 30, 2024 and 2023.

### Summary of Cash Flows

(\$000's)	For the three months ended		For the year ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
Cash inflows (outflows) from operations	3,232	(10,816)	37,673	13,182
Disposal (purchase) of property and equipment	(184)	92	(456)	(1,810)
Net advances (repayment) of interim production financing	(7,819)	18,708	(30,594)	(7,041)
<b>Free Cash Flow</b>	<b>(4,771)</b>	<b>7,984</b>	<b>6,623</b>	<b>4,331</b>

The following table presents the reconciliation from Gross Profit to Gross Margin, for the three months and years ended June 30, 2024 and 2023.

#### Summary of Gross Profit

(\$000's)	For the three months ended		For the year ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
Revenue	51,814	37,745	165,323	166,730
Direct Operating	40,303	29,919	127,795	129,792
<b>Gross Profit</b>	<b>11,511</b>	<b>7,826</b>	<b>37,528</b>	<b>36,938</b>
<b>Gross Margin</b>	<b>22.2%</b>	<b>20.7%</b>	<b>22.7%</b>	<b>22.2%</b>

The following table presents the reconciliation from Cash Available for Use and Cash Required for Use in Productions to Cash and Cash Equivalents for the years ended June 30, 2024 and 2023.

(\$000's)	June 30, 2024		June 30, 2023	
	\$	\$	\$	\$
Cash Available for Use		11,499		8,662
Cash Required for Use in Productions		13,717		16,702
<b>Total cash and cash equivalents</b>		<b>25,216</b>		<b>25,364</b>

#### DISCLOSURE OF OUTSTANDING SHARE DATA

As at October 9, 2024 the Company had the following common and preferred shares and securities convertible into common shares outstanding.

Common Shares	49,817,587
Preferred Shares – redeemable class A <sup>1</sup>	415,000
Stock Options	2,325,000
Restricted Share Units Equity Settled	202,131

<sup>1</sup>Preferred shares Class A are convertible into common shares at a ratio of 3:1

#### Directors and Officers as at June 30, 2024

##### Directors

Jennifer Twiner McCarron	CEO, Director, Chair
Asha Danieri	Lead Director
Lisa Coulman	Director
Taylor Henderson	Director
Azim Jamal	Director
David Lazzarato	Director
Jerome Levy	Director

##### Officers

Jennifer Twiner McCarron	CEO, Director, Chair
Simon Bodymore	CFO
Lori Massini	General Counsel