Consolidated
Financial Statements of

Thunderbird Entertainment Inc.
June 30, 2018 and 2017

October 18, 2018

Independent Auditor's Report

To the Shareholders of
Thunderbird Entertainment Inc.

We have audited the accompanying consolidated financial statements of Thunderbird Entertainment Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2018 and June 30, 2017 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Thunderbird Entertainment Inc. and its subsidiaries as at June 30, 2018 and June 30, 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

THUNDERBIRD ENTERTAINMENT INC.
Consolidated Statements of Financial Position

	Notes	Year ended June 30, 2018	2017
ASSETS			
Current			
Cash and cash equivalents		$ 12,886	$ 16,566
Trade receivables and other	5	57,246	73,678
Income taxes recoverable		357	608
Other current assets		80	-
		70,569	90,852
Long-term trade receivables	5	1,336	1,991
Investment in content	6	17,965	34,303
Deferred tax assets	16	4,448	5,197
Property and equipment	8	3,873	2,211
Goodwill and intangible assets	9	14,525	15,729
Total Assets		**$ 112,716**	**$ 150,283**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		$ 10,525	$ 16,336
Income taxes payable		2,523	1,080
Future consideration liability	20	-	2,476
Interim production financing	10	41,681	57,337
Deferred revenue		9,367	28,101
Current obligations under finance leases	20	1,390	658
Redeemable preferred shares	12	2,505	2,505
		67,991	108,493
Long-term debt	11	1,534	-
Long-term obligations under finance leases	20	1,421	489
Deferred tax liabilities	16	3,621	4,858
Total Liabilities		**74,567**	**113,840**
Shareholders' Equity			
Common shares	13	29,799	29,799
Preferred shares	13	19,526	19,526
Accumulated other comprehensive income		269	358
Contributed surplus		1,777	1,752
Deficit		(13,214)	(14,984)
Equity attributable to owners of the Company		38,157	36,451
Non-controlling interest		(8)	(8)
Total Shareholders' Equity		**38,149**	**36,443**
Total Liabilities and Shareholders' Equity		**$ 112,716**	**$ 150,283**

Subsequent events - Note 24

Approved on behalf of the Board:

"Cameron White"
Cameron White, Director

"Tim Gamble"
Tim Gamble, Director

See accompanying notes to the consolidated financial statements

THUNDERBIRD ENTERTAINMENT INC.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

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

	Notes		Year ended June 30, 2018		2017
Revenue	*15*	$	142,402	$	95,113
Expenses					
Direct operating			115,134		77,090
Distribution and marketing			3,478		2,530
General and administrative			17,348		14,822
Share-based compensation	*13*		25		946
Finance costs, net	*22*		1,574		544
			137,559		95,932
Income (loss) before income taxes			4,843		(819)
Income tax expense (recovery)	*16*		1,482		(132)
Income (loss) from continuing operations			3,361		(687)
Income (loss) from discontinued operations	*4*		(46)		1,596
Income (loss) from discontinued operations			(46)		1,596
Net income for the year			3,315		909
Net income attributable to					
Owners of the parent			3,315		909
Non-controlling interest			-		-
			3,315		909
Other comprehensive income					
Items that may be subsequently reclassified to income (loss)					
Foreign currency translation adjustment			(89)		64
Comprehensive income for the period			3,226		973
Total comprehensive income attributable to					
Owners of the parent			3,226		973
Non-controlling interest			-		-
			3,226		973
Basic earnings per share - continuing operations	*13*	$	0.061	$	(0.075)
Diluted earnings per share - continuing operations	*13*	$	0.049	$	(0.075)
Basic earnings per share - discontinued operations	*13*	$	(0.002)	$	0.054
Diluted earnings per share - discontinued operations	*13*	$	(0.002)	$	0.037

See accompanying notes to the consolidated financial statements

THUNDERBIRD ENTERTAINMENT INC.

Consolidated Statements of Changes in Shareholders' Equity

(expressed in thousands of Canadian dollars)	*Notes*	**Common shares**	**Preferred shares**	**Non-controlling interest**	**Accumulated other comprehensive income**	**Contributed surplus**	**Deficit**	**Total**
Balance at June 30, 2016		29,799	19,366	(201)	294	1,710	(14,338)	36,630
Comprehensive income		-	-	-	64	-	909	973
Non-controlling interest disposition		-	-	193	-	-	-	193
Dividends		-	-	-	-	-	(1,555)	(1,555)
Share issue costs		-	(5)	-	-	-	-	(5)
Share-based compensation	*13*	-	-	-	-	42	-	42
Redemption of preferred shares	*13*	-	(835)	-	-	-	-	(835)
Issuance of preferred shares	*13*	-	1,000	-	-	-	-	1,000
Balance at June 30, 2017		**$ 29,799**	**$ 19,526**	**$ (8)**	**$ 358**	**$ 1,752**	**$ (14,984)**	**$ 36,443**
Comprehensive income (loss)		-	-	-	(89)	-	3,315	3,226
Dividends		-	-	-	-	-	(1,545)	(1,545)
Share-based compensation	*13*	-	-	-	-	25	-	25
Balance at June 30, 2018		**$ 29,799**	**$ 19,526**	**$ (8)**	**$ 269**	**$ 1,777**	**$ (13,214)**	**$ 38,149**

See accompanying notes to the consolidated financial statements

THUNDERBIRD ENTERTAINMENT INC.
Consolidated Statements of Cash Flows

(expressed in thousands of Canadian dollars)	*Notes*	Year ended June 30, 2018	2017
OPERATING ACTIVITIES			
Net income from operations		$ 3,315	$ 909
Net (income) loss from discontinued operations		46	(1,596)
Net income (loss) from continuing operations		3,361	(687)
Items not involving cash:			
Accretion of redeemable preferred shares	*22*	-	17
Amortization of content	*6*	28,178	9,045
Amortization of property and equipment	*8*	1,456	999
Amortization of intangible assets	*9*	1,204	1,771
Accretion on contingent consideration	*20*	221	758
Share-based compensation	*13*	25	42
Deferred income taxes recovery	*16*	(488)	(828)
Unrealized foreign exchange gain		(89)	(661)
Income from non-controlling interest		-	(48)
Loss on disposal of equipment		1	196
Disposal of investment in content costs		260	312
Changes in non-cash working capital	*21*	(23,753)	14,350
Investment in content		(13,711)	(25,767)
Cash flows from (used in) continuing operations		(3,335)	(501)
Cash flows from (used in) discontinued operations		(46)	(187)
		(3,381)	(688)
FINANCING ACTIVITIES			
Repayment of interim production financing	*21*	(44,567)	(40,132)
Proceeds from interim production financing	*21*	49,789	36,872
Repayment of obligations under finance leases	*21*	(1,015)	(542)
Proceeds from obligations under finance leases	*21*	1,442	757
Repayment of long-term debt	*21*	(620)	-
Proceeds from long-term debt	*21*	2,154	-
Redemption of preferred shares		-	(920)
Proceeds from issuance of preferred shares		-	1,000
Share issue costs		-	(5)
Dividends		(1,545)	(1,555)
		5,638	(4,525)
INVESTING ACTIVITIES			
Proceeds on sale of property and equipment		4	3
Purchase of property and equipment	*8, 21*	(1,886)	(1,045)
Disposal of subsidiary, net of cash	*19*	(3,950)	-
		(5,832)	(1,042)
Effect of exchange rate changes on cash and cash equivalents		(105)	95
Net decrease in cash and cash equivalents during the year		(3,680)	(6,160)
Cash and cash equivalents, beginning of year		16,566	22,726
Cash and cash equivalents, end of year		**$ 12,886**	**$ 16,566**

See accompanying notes to the consolidated financial statements

1. NATURE OF BUSINESS

Thunderbird Entertainment Inc. (the "Company"), the ultimate parent, and its subsidiaries, are an integrated group of companies that develop, produce and distribute film and television programming for the domestic and international markets. As an independent distribution company, the Company also acquires, licenses and merchandises distribution rights. Thunderbird Entertainment Inc. is incorporated under the laws of British Columbia. The Company's head office is located at 401-533 Smithe Street, Vancouver, BC, V6B 6H1.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (the "Board") on October 18, 2018.

2. BASIS OF PRESENTATION

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

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments, such as future consideration liabilities, as disclosed in note 3(q).

Comparative information

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by the Company and its subsidiaries.

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all its subsidiaries. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. All intercompany transactions and balances have been eliminated upon consolidation.

(b) Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and for the periods presented. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. Actual results may differ materially from these estimates. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

Investment in content

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

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

Share-based compensation
Amounts recorded for share-based compensation are based on estimates of future volatility of the Company's share price, estimated market price of the Company's shares at the grant date, expected lives of options and warrants, expected dividends and other relevant assumptions. The assumptions and models used for estimating fair value for share-based compensation transactions are disclosed in note 13.

Business combinations
Business combinations are accounted for using the acquisition method where the acquisition of companies and assets meet the definition of a business under IFRS. The purchase price allocation process requires management to use significant estimates and assumptions, including fair value estimates including, but not limited to:

- Estimated fair value of identifiable net assets including tangible and intangible assets; and
- Probability of required payment under contingent consideration provisions;

The fair value of these specific net assets is based on numerous estimates including discount rates and other factors. Although management believes the assumptions and estimates made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Examples of critical estimates in valuing certain of the assets and liabilities acquired include but are not limited to:

- Future expected cash flows and revenue from distribution and production contracts;
- Expected cost to complete film and television productions in-progress and the estimated cash flows from the productions when completed;
- Discount rates applied to future expected cash flows.

Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation, which could also impact net income as expenses and impairments could change. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results.

Impairment of non-financial assets
Intangible assets and goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. For the purposes of measuring recoverable amounts, assets are grouped into cash generating units ("CGU's"). The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use, being the present value of the expected future cash flows of the CGU. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The key assumptions used to determine the fair value less costs of disposal and value in use of the CGU are disclosed and further explained in note 9.

Income taxes and deferred income taxes
Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable income.

The current income tax provision for the year is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the provision for current income taxes which are recognized in the consolidated financial statements. The Company considers the estimates, assumptions and judgments to be reasonable, but this can involve complex issues which may take an extended period to resolve. The final determination of prior years' tax provisions could be different from the estimates reflected in the consolidated financial statements.

Contingent consideration
Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and discount factor.

(c) Discontinued operations
A discontinued operation is a component of the Company's business; the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- Represents a separate major line of business or geographic area
- Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operations meet the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the statement of operations and comprehensive loss is represented as if the operation has been discontinued from the start of the comparative year.

During the year ended June 30, 2017, the Company liquidated its UK operations that were previously written down to the lower of cost and fair value less cost of disposal and the operations and cash flows associated with this unit were classified as discontinued operations. See note 4.

(d) Business combinations and asset acquisitions
Business combinations are accounted for using the acquisition method where the acquisition of companies and assets meet the definition of a business under IFRS. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability results from a contingent consideration arrangement. Identified assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

Any contingent consideration to be transferred to or by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent considerations that is deemed to be an asset or liability is recognized either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlements is accounted for within equity. Share based consideration that remunerates employees or former owners for future services is not included in the business combination and is recognized as share-based payments over the lives of the future services.

Goodwill is initially measured as the excess of the aggregate of the fair value of consideration transferred over the fair value of identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

(e) Investment in associates

Associates are entities over which the Company has significant influence, but not control. These investments are accounted for using the equity method of accounting. Under this method, the investment is initially recorded at fair value and adjusted thereafter to record the Company's share of post-acquisition earnings or loss of the investee as if the investee had been consolidated.

The carrying value of the investment is also increased or decreased to reflect the Company's share of capital transactions, including amounts recognized in other comprehensive income, and for accounting changes that relate to periods subsequent to the date of acquisition. The Company assesses at each year-end whether there is any objective evidence that its interest in associates is impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal and value in use) and charged to the consolidated statement of loss and comprehensive loss.

(f) Foreign currency

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars ("Cdn$"), which is the Company's functional currency.

Foreign currency transactions

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

Foreign operations

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

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

(g) Trade receivables and other

Amounts receivable are non-interest bearing and are generally on 30 to 60 day terms. Therefore, they are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Amounts receivable collectible within the normal operating cycle are included within current assets, of which the normal operating cycle of the Company can be greater than 12 months. Amounts receivable collectible within the period greater than the normal operating cycle are classified as long-term amounts receivable. Refer to note 5.

(h) Investment in content

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

The Company's policy is to amortize released content using a declining balance method at rates ranging from 50 – 95% in the year of delivery and at rates ranging from 5 – 10% annually for the following 2 years. Thereafter released content is amortized on a straight-line basis over seven years. Acquired content for theatrical films is amortized using a declining balance method at rates ranging from 75 - 90% in the year of delivery and thereafter on a straight-line basis over four years. Other acquired content is amortized on a straight-line basis over seven years. Investment in content that is determined to have limited benefit in future periods is fully amortized in the first year.

The valuation of investment in content, including acquired film rights, is reviewed quarterly and any portion of the unamortized amount that appears not to be recoverable from future net revenues is recognized as accelerated amortization within direct operating expenses during the period the loss becomes evident.

(i) Property and equipment

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

Computer equipment	30%-55% declining balance
Furniture and equipment	20% declining balance
Vehicles	30% declining balance
Leasehold improvements	Over the lease term or useful life, whichever is shorter

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

(j) Goodwill and intangible assets

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses and is not subject to amortization. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Goodwill is allocated to a CGU, or group of CGUs, which is the lowest level within an entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Impairment is tested by comparing the recoverable amount of goodwill assigned to a CGU or group of CGUs to its carrying value. Refer to note 9.

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

Production agreements	3 years straight-line
Distribution libraries	10 years straight-line
Customer relationships	4 years straight-line

(k) Impairment of non-financial assets

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

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

(l) Revenue recognition

Revenue from licensing of film and television programs is recognized only when:

- persuasive evidence of a contractual arrangement exists;
- the program is complete;
- the contractual delivery arrangements have been satisfied;
- the customer has access to the production and can benefit from the content;
- the fee is fixed or determinable;
- collection of the fee is reasonably assured; and
- the costs incurred or to be incurred in respect of the contractual arrangement can be measured reliably

Cash received pursuant to broadcast license fees or distribution advances is recorded as deferred revenue and recognized as revenue after all foregoing conditions of revenue recognition have been met.

Revenue from production services for third parties and other revenues are recognized on a percentage-of-completion basis. Percentage-of-completion is based upon the proportion of costs incurred in the current year to total expected costs. A provision is accrued for the entire amount of future estimated losses, if any, on productions-in-progress.

Gross versus net revenues
The Company evaluates arrangements with third parties to determine whether the Company acts as the principal or agent under the terms of each arrangement. To the extent that the Company acts as the principal in an arrangement, revenues are reported on a gross basis, resulting in revenues and expenses being classified in their respective financial statement line items. Conversely, to the extent that the Company acts as the agent in an arrangement, revenues are reported on a net basis, resulting in revenues being presented net of any related expenses. Determining whether the Company acts as principal or agent is based on an evaluation of which party has substantial risks and rewards of ownership under the terms of an arrangement. The most significant factors that the Company considers include identification of the primary obligor, as well as which party has credit risk, general risk and latitude in establishing prices.

(m) Earnings per share
Basic earnings per share (“EPS”), is calculated by dividing the net income (loss) for the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is computed by adjusting the weighted average number of common shares for the effects of dilutive instruments such as convertible securities, warrants and share-based options. Dilutive instruments are excluded from the computation if their effect is anti-dilutive.

(n) Finance costs
Direct costs relating to the issuance of shares are charged directly to share capital. Direct costs relating to debt financing are charged directly to operations.

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

(o) Share-based compensation
Obligations for issuance of common shares under the Company’s share-based compensation plan and warrants are accrued over the vesting period using fair values as at the grant date. Fair values are determined at issuance using the Black-Scholes option pricing model.

(p) Fair value measurement
The Company measures financial instruments at fair value at each consolidated statement of financial position date. Fair values of financial instruments measured at amortized cost are disclosed in note 17.

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

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

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

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

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

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

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

Subsequent measurement of the Company's financial instruments depends on their classification determined by the purpose for which the instruments were acquired, as follows:

<u>Financial assets and liabilities at fair value through profit or loss</u>
Financial assets and liabilities at fair value through profit or loss are measured at fair value with changes in fair value recognized in net loss. Future consideration liability is classified as other financial liabilities at fair value.

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

<u>Other financial liabilities at amortized cost</u>
Other financial liabilities are measured at amortized cost at the settlement date using the effective interest method of amortization. Accounts payable and accrued liabilities, interim production financing, long-term debt and redeemable preferred shares are classified as other financial liabilities at amortized cost.

(r) Government financing and assistance
The Company has access to government programs, including tax credits that are designed to assist film and television production and distribution in Canada. Amounts received or receivable in respect of production assistance are recorded as a reduction of the production costs of the applicable production. Tax credits earned with respect to expenditures on qualifying film and television productions are recorded as a reduction to investment in content when the qualifying expenditures have been incurred provided that there is reasonable assurance that the credits will be realized. Refer to note 14.

(s) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and GIC's with an original maturity of less than three months.

(t) Income taxes

Income tax expense comprises of current and deferred income taxes.

Current income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are substantively enacted by the end of the reporting date.

Deferred income taxes

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

Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Company intends to settle its current tax assets and tax liabilities on a net basis.

(u) Segment reporting

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

(v) New standards and interpretations

The following amendments and new interpretations became effective for accounting years beginning on or after July 1, 2017, which had no material impact on the consolidated financial statements.

- Amendments to IAS 12 *Income Taxes*

(w) Standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

- IFRS 9, Financial Instruments (effective for annual periods beginning on or after January 1, 2018)
  The final version of IFRS 9 was issued by the IASB in July 2014 and supersedes IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides guidance on the classification and measurement of financial assets and financial liabilities.

  The Company has completed its assessment of IFRS 9 and does not anticipate a material impact of applying the new standard on the Company's consolidated financial statements.

- IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018)
  IFRS 15 replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and some revenue related interpretations. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods and services. The standard establishes a five-step model to assess the amount and timing of revenue recognized relative to the fulfilment of contractual performance obligations.

  The Company has completed its assessment of the impact of IFRS 15 and expects its revenue from licensing of film and television programs as well as its contract acquisition costs to be impacted.

  Under IFRS 15, the Company has determined that revenue from the licensing of film and television programs should be recognized at the later of the start date of the license term and the satisfaction of the contractual delivery terms. Currently, licensing revenue is recognized at an earlier date when certain conditions are met as further discussed in note 3(l).

  In addition, the Company has determined that, under IFRS 15, any contract acquisition costs will be capitalized and amortized over the same term as the underlying contract is recognized.

  As permitted under IFRS 15, the Company intends to adopt the standard using the modified retrospective method on the date of transition (July 1, 2018). On this date, the cumulative effect of initially applying the guidance will be recognized. While management has not yet finalized its calculations, the impact of the adoption at July 1, 2018 is currently expected to result in an estimated increase in deficit with a corresponding increase to deferred revenue and investment in content within the range of $2.0 million to $4.0 million.

- IFRIC 22, Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after January 1, 2018)
  The IASB issued IFRIC 22 to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation establishes that the exchange rate to use on the initial recognition of the transaction is the exchange rate for the date on which an entity initially recognized the non-monetary asset or liability arising from the payment or receipt of advance consideration.

  The Company will apply IFRIC 22 on a prospective basis. The effect of applying this IFRIC is not expected to have a significant impact on the Company's consolidated financial statements.

- IFRS 16, Leases (effective for annual periods beginning on or after January 1, 2019)
  IFRS 16 was issued by the IASB in January 2016 and supersedes IAS 17, Leases. The standard provides a single lease accounting model, requiring lessees to recognize assets and liabilities for almost all leases, with an exemption for leases with a minimal value or of a short-term duration. The Company is in the process of assessing the effect of adopting the new and amended standards and the impact they may have on the consolidated financial statements.

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

(x) Standards applied during the year

- Amendments to IAS 7, *Statements of Cash Flows* (effective January 1, 2017)
  IAS 7 introduced new requirements to disclose changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The required disclosures have been added to note 21 of these consolidated financial statements.

4. DISCONTINUED OPERATIONS

In April 2017, the Company commenced liquidation of one of its U.K. operations acquired as part of the Soda Pictures Limited acquisition that decided to cease operations in June 2016.

Analysis of the results of discontinued operations is as follows:

	For the year ended June 30, 2018	For the year ended June 30, 2017
Revenue	$ -	$ 2,628
Expenses	-	2,387
Income from discontinued operations	**-**	**241**
Gain (loss) on sale of discontinued operations	(46)	1,355
Income (loss) from discontinued operations	**$ (46)**	**$ 1,596**
Basic income (loss) from discontinued operations per share	**$ (0.002)**	**$ 0.054**
Diluted income (loss) from discontinued operations per share	**$ (0.002)**	**$ 0.037**

5. TRADE RECEIVABLES AND OTHER

As at June 30, 2018 and 2017, none of the receivables have been assessed as impaired. In determining the recoverability of amounts receivable, the Company considers the type and age of the outstanding receivables, the credit risk of the counterparties, and the recourse available to the Company.

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

Current	June 30, 2018	June 30, 2017
Trade, net of allowance for doubtful accounts of nil (2017 - nil)	$ 9,667	$ 14,119
Deposits and prepaids	2,024	3,482
Federal and provincial film tax credits	45,555	56,077
	$ 57,246	**$ 73,678**

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

Non-current	June 30, 2018	June 30, 2017
Trade, net of allowance for doubtful accounts of nil (2017 - nil)	$ 1,336	$ 1,991
	$ 1,336	**$ 1,991**

The aging of current trade receivables is as follows:

	June 30, 2018	June 30, 2017
Less than 60 days	$ 8,980	$ 13,781
Over 61 days	687	338
	$ 9,667	**$ 14,119**

6. INVESTMENT IN CONTENT

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

The components are as follows:

	Development costs	Content in production	Released content	Acquired content	Total
Cost					
At June 30, 2016	$ 589	$ 7,967	$ 69,985	$ 5,322	$ 83,863
Retained from assets held for sale	-	-	-	1,539	1,539
Additions, *(net of government assistance (note 14) and third party participation)*	1,308	25,493	-	816	27,617
Disposal	(289)	-	-	(23)	(312)
Transferred	(730)	(12,372)	13,102	-	-
At June 30, 2017	**878**	**21,088**	**83,087**	**7,654**	**112,707**
Additions, *(net of government assistance (note 14) and third party participation)*	319	10,198	-	1,583	12,100
Disposal	(260)	-	-	-	(260)
Transferred	(25)	(26,678)	26,703	-	-
At June 30, 2018	**$ 912**	**$ 4,608**	**$ 109,790**	**$ 9,237**	**$ 124,547**
Amortization					
At June 30, 2016	$ -	$ 1,642	$ 63,606	$ 4,111	$ 69,359
Additions	-	-	7,776	1,269	9,045
Transferred	-	(1,642)	1,642	-	-
At June 30, 2017	**-**	**-**	**73,024**	**5,380**	**78,404**
Additions	-	**-**	26,636	1,542	28,178
At June 30, 2018	**$ -**	**$ -**	**$ 99,660**	**$ 6,922**	**$ 106,582**
Net book value					
June 30, 2017	$ 878	$ 21,088	$ 10,063	$ 2,274	$ 34,303
June 30, 2018	$ 912	$ 4,608	$ 10,130	$ 2,315	$ 17,965

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

Interest charges capitalized to the cost of film production for the year ended June 30, 2018 amounted to $513 (2017 - $874).

The Company recorded amortization of investment in content of $1,488 (2017 - nil) as a result of a change in the estimated useful life of certain released content for which the Company has no reasonable expectation of recovery through future exploitation.

7. INVESTMENT IN ASSOCIATE

The Company indirectly holds a 50% equity interest in Blade Runner Derivative Holdings LLC ("BRDH"). BRDH has operations based in Los Angeles, California with the primary purpose of arranging the development, production, financing, distribution and other exploitation and related products based on the feature film "Blade Runner". This investment is accounted for using the equity method on the basis that the Company has significant influence, but not control over BRDH.

The following table illustrates summarized financial information of the investment in BRDH:

		June 30, 2018		June 30, 2017
BRDH's statement of financial position:				
Current assets	$	2	$	2
Non-current assets		-		-
Non-current liabilities		(183)		(155)
Net liabilities	**$**	**(181)**	**$**	**(153)**

Reconciliation to carrying amounts:

		June 30, 2018		June 30, 2017
Net liabilities, opening balance	$	(153)	$	(149)
Loss for the year		(26)		(3)
Dividends paid		-		-
Unrealized loss on translation		(2)		(1)
Net liabilities, ending balance	**$**	**(181)**	**$**	**(153)**
Company's share in %		50%		50%
Company's share		(91)		(77)
Gain on translation (OCI)		91		77
Investment in associate, ending balance	**$**	**-**	**$**	**-**

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

8. PROPERTY AND EQUIPMENT

	Computer equipment	Furniture and equipment	Leasehold improvements	Vehicles	Total
Cost					
At June 30, 2016	$ 1,423	$ 2,240	$ 612	$ 35	$ 4,310
Additions	849	159	3	34	1,045
Disposals	(1,701)	(11)	(184)	-	(1,896)
At June 30, 2017	**571**	**2,388**	**431**	**69**	**3,459**
Additions	2,724	322	68	9	3,123
Disposals	(3)	(5)	-	-	(8)
At June 30, 2018	**$ 3,292**	**$ 2,705**	**$ 499**	**$ 78**	**$ 6,574**
Amortization					
At June 30, 2016	$ 728	$ 933	$ 278	$ 7	$ 1,946
Charge for the year	814	113	54	18	999
Disposals	(1,523)	(10)	(164)	-	(1,697)
At June 30, 2017	**19**	**1,036**	**168**	**25**	**1,248**
Charge for the year	1,223	126	92	15	1,456
Disposals	(2)	(1)	-	-	(3)
At June 30, 2018	**$ 1,240**	**$ 1,161**	**$ 260**	**$ 40**	**$ 2,701**
Net book value					
June 30, 2017	$ 552	$ 1,352	$ 263	$ 44	$ 2,211
June 30, 2018	$ 2,052	$ 1,544	$ 239	$ 38	$ 3,873

There were no impairment write-downs or any reversals of previous write-downs during the years presented. Included in furniture and equipment and computer equipment are assets under finance leases with a net carrying value of $2,204 (2017 - $684).

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

9. GOODWILL AND INTANGIBLE ASSETS

The continuity of goodwill and intangible assets is as follows:

	Goodwill	Production agreements	Distribution libraries	Customer relationships	Total
Cost					
At June 30, 2016	$ 12,402	$ 3,400	$ 2,700	$ 1,470	$ 19,972
Additions	-	-	-	-	-
At June 30, 2017	**12,402**	**3,400**	**2,700**	**1,470**	**19,972**
Additions	-	-	-	-	-
At June 30, 2018	**$ 12,402**	**$ 3,400**	**$ 2,700**	**$ 1,470**	**$ 19,972**
Amortization					
At June 30, 2016	$ -	$ 1,700	$ 404	$ 368	$ 2,472
Charge for the year	-	1,133	270	368	1,771
At June 30, 2017	**-**	**2,833**	**674**	**736**	**4,243**
Charge for the year	-	567	270	367	1,204
At June 30, 2018	**$ -**	**$ 3,400**	**$ 944**	**$ 1,103**	**$ 5,447**
Net book value					
June 30, 2017	$ 12,402	$ 567	$ 2,026	$ 734	$ 15,729
June 30, 2018	$ 12,402	$ -	$ 1,756	$ 367	$ 14,525

Amortization of intangible assets is included in direct operating expenses.

Impairment testing for goodwill

Goodwill is tested for impairment annually or more frequently if there are indications that the asset might be impaired. The Company tested the production entities goodwill for impairment at June 30, 2018 in accordance with its policy described in note 3. An impairment loss is recognized if the carrying value of the CGU exceeds its recoverable amount. For the purposes of allocating goodwill at June 30, 2018, the Company has determined that the majority of goodwill is monitored based upon one operating segment being its core production, distribution and licensing of film and television programs business ("production entities"). As the recoverable amount to which production entities goodwill has been allocated was greater than its carrying value, the Company determined there was no impairment of production entities goodwill as at June 30, 2018.

For determining the recoverable amount for the production entities' goodwill, the Company used the fair value less costs of disposal approach. To determine fair value less cost of disposal, the Company utilized a one-year cash flow forecasts based on management's best estimates considering historical and expected production, distribution and other revenue deliveries, economic conditions and general outlook for the industry. The one year cash flow forecast was presented to the Board of Directors. The cash flow forecasts beyond that of the budget were prepared using a stable growth rate for future periods of four more years, assuming revenue growth of 2%. The cash flows beyond the five year period are extrapolated into perpetuity using a terminal growth rate of 2.78%. To adjust the forecasts to consider disposal costs, management estimated that disposition costs would be 2% of enterprise value.

The valuation model also takes into account working capital and capital investments required to maintain the condition of the assets. The forecasted cash flows were discounted using an after-tax rate of approximately 11%.

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

The Company's assumptions used in the model are affected by current market conditions which may affect expected revenues, particularly production and distribution revenues. The Company also has significant competition in the markets in which it operates which may impact its revenue and operating costs. The Company has made certain assumptions for the discount rate and revenue and expense growth rates to reflect possible variations in the cash flows; however, the risk premiums expected by market participants related to uncertainties about the industry or specific intangible assets may differ or change quickly depending on economic conditions and other events. Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future valuations of the production entities goodwill and the Company would be required at that time to recognize impairment losses.

10. INTERIM PRODUCTION FINANCING

Interim production credit facilities represent individual loans for the production of television programs that the Company produces.

	June 30, 2018	June 30, 2017
Interim production credit facilities with various institutions, bearing interest at bank's prime rate plus 0.65% to 1.25% (2017 - 0.65% to 2.00%). Secured by assignment and direction of trade receivables and tax credits of approximately $44,374 at June 30, 2018 (2017 - $38,832). The Company also enters into General Security Agreements on certain productions. All facilities are repayable on demand.	$ 37,704	$ 36,087
Non-interest bearing production loans with various service clients, repayable upon receipt of Canadian tax credits	3,977	21,250
	$ 41,681	**$ 57,337**

At June 30, 2018, included in interim production financing are loans repayable in US$ in the amount of US$721 (CAD$950) (2017 - US$10,222 (CAD$13,265)).

11. LONG-TERM DEBT

As at June 30, 2018, the Company has a GBP£2,000 non-revolving credit line (the "credit facility") with a maturity date of March 31, 2021.

The maximum funds available under the credit facility consists of the following:

	June 30, 2018	June 30, 2017
Non-revolving credit line bearing interest at a margin of 3.00% plus the applicable LIBOR (2018 - 3.28% to 3.80%)	£ 2,000	-

On June 1, 2018, the Company signed three credit facilities with Royal Bank of Canada (“RBC”). Under the terms of the facilities, RBC has provided the Company with the following:

1. A five-year $10,000 Non-Revolving Term Loan at an interest rate of prime plus 0.50%. Under the terms of the loan, an annual cash flow sweep of 5% of the Company EBITDA will be due within 120 days of the fiscal year-end of the Company and will be applied to repayment of the loan.
2. A three-year $6,000 Non-Revolving Term Loan at an interest rate of prime plus 0.50%. Under the terms of the loan, payment will include all excess tax credits remaining once RBC has been fully repaid for each single purpose production company (“SPPC”) which has obtained interim financing of the tax credits from RBC due within 15 days of the receipt of the tax credit.
3. A $5,000 Revolving Term Loan at an interest rate of prime plus 1.25%. Under the terms of the loan, each draw is to be repaid on the earlier of 15 days after the closing of the applicable SPPC production facility or 180 days after the first draw has been made.

The RBC loans are guaranteed by subsidiaries of the Company.

As at June 30, 2018, none of the above RBC facilities have been drawn on. Refer to note 24 for amounts drawn subsequent to year-end.

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

12. REDEEMABLE PREFERRED SHARES

Issued and outstanding:

	June 30, 2018			June 30, 2017		
		Amount			Amount	
	Number of Shares	Liability Component $	Equity Component $	Number of Shares	Liability Component $	Equity Component $
Class A Series 2						
Opening balance	244,444	220	-	244,444	220	-
Ending balance	**244,444**	**220**	**-**	**244,444**	**220**	**-**
Class B Series 1						
Opening balance	1,378,750	1,359	607	1,463,750	1,427	607
Accretion	-	-	-	-	17	-
Shares redeemed for cash	-	-	-	(85,000)	(85)	-
Ending balance	**1,378,750**	**1,359**	**607**	**1,378,750**	**1,359**	**607**
Class B Series 2						
Opening balance	1,054,000	926	132	1,054,000	926	132
Shares issued for cash	-	-	-	-	-	-
Accretion	-	-	-	-	-	-
Ending balance	**1,054,000**	**926**	**132**	**1,054,000**	**926**	**132**
Total						
Opening balance	2,677,194	2,505	739	2,762,194	2,573	739
Shares issued for cash	-	-	-	-	-	-
Accretion (note 22)	-	-	-	-	17	-
Shares redeemed for cash	-	-	-	(85,000)	(85)	-
Ending balance	**2,677,194**	**2,505**	**739**	**2,677,194**	**2,505**	**739**

During the year ended June 30, 2017, 85,000 Class B Series 1 preferred shares were redeemed at the option of the shareholder at a value of $1.00 per share.

The Class A Series 2 and Class B Series 1 preferred shares have a face value of $1.00 per share and receive an annual 10% fixed preferential cumulative cash dividend. The Class B Series 2 preferred shares have a face value of $1.00 and receive a quarterly 7% preferential cumulative cash dividend.

The Class A Series 2 and Class B Series 1 preferred shares may be retracted by the Company or redeemed by the shareholder at a value of $1.00 per share. In addition, at any time the shareholder may convert their Class A Series 2 preferred shares into one common share and their Class B Series 1 into common shares at a ratio of 1.5 preferred shares to one common share.

On June 17, 2010, the Class A Series 2 and Class B Series 1 preferred share rights were amended to proportionally adjust the shares in the event that the Company, at any time after the issuance of any share or preferred shares, (i) declare any dividend on the common shares payable in shares of common shares; (ii) subdivide the outstanding common shares; or (iii) combine the outstanding common shares into a smaller number of shares, then in each such case the Company shall simultaneously effect a proportional adjustment to the conversion ratio so that any preferred shares thereafter surrendered for conversion shall be entitled to receive the number of common shares which such holder would have owned or have been entitled to receive after the happening of any of the events described above had such preferred shares been converted immediately prior to the happening of such event or the record date therefore, whichever is earlier, so that the preferred shareholders may convert their preferred shares into common shares at a ratio of 1.5 preferred shares to 1 common share.

The Class B Series 2 preferred shares were issued in fiscal 2016 under the provisions of the *Small Business Venture Capital Act* (British Columbia) ("SBVCA"), and therefore the Company is not permitted to acquire, cancel, or redeem shares held by eligible investors for a period of five years from the date of issue. The Company has the option to retract the shares at a value of $1.00, $1.025, and $1.05 per share after the fifth, sixth and seventh anniversary dates of the share issuance, respectively. In addition, the shareholders may convert their preferred shares into common shares at a ratio of 3 preferred shares to one common share at any time after the fifth anniversary, or may redeem their shares at a price of $1.00, $1.025, and $1.05 per share after the fifth, sixth and seventh anniversary dates of the share issuance, respectively.

If all of the Class B preferred shares are converted, the Company would need to issue 1,270,500 (2017 – 1,270,500) common shares. If required to convert the outstanding Class A preferred shares, the Company would need to issue 162,963 (2017 – 162,963) common shares.

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

In addition to the Class A and Class B preferred shares issued, the Company determined that there were multiple elements within the preferred shares. An embedded derivative exists based on the preferred shares' redemption value, being $0.90, $0.95 or $1.00 per Class A and Class B Series 1 share, and $1.00, $1.025, and $1.05 per Class B Series 2 share, based on the period of time the shares have been held.

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

During fiscal 2018 and 2017, the Company paid dividends of $0.10 per Class A and Class B Series 1 preferred share and $0.07 per Class B Series 2 preferred shares. Dividends paid for the year ended June 30, 2018 totaled $236 (June 30, 2017 - $245).

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

13. SHARE CAPITAL

Authorized
Unlimited Common shares without par value
100,000,000 Preferred shares non-voting without par value

- 2,000,000 Class A Series 1, 10% cumulative dividend
- 2,000,000 Class A Series 2, 10% cumulative dividend
- 5,000,000 Class B Series 1, 10% cumulative dividend
- 2,000,000 Class B Series 2, 7% cumulative dividend
- 10,000,000 Class C, 8% cumulative dividend

Common shares
Issued:

	Number of Shares	Amount
Balance June 30, 2017 and 2018	**29,753,344**	**$ 29,799**

During fiscal 2018 and 2017 the Company did not issue common shares.

Net earnings per share
The following table calculates basic and diluted net income (loss) per share:

		June 30, 2018		June 30, 2017
Net income (loss) from continuing operations	$	3,361	$	(687)
Preferred share dividends issued		(1,545)		(1,555)
Net income (loss) from continuing operations – attributable to Parent		1,816		(2,242)
Accretion on redeemable preferred shares		-		13
Dividends expense		236		263
Diluted net income (loss) from continuing operations	$	2,052	$	(1,966)
Basic weighted average number of common shares		29,753,344		29,753,344
Diluted weighted average number of common shares		42,022,974		42,789,224
Basic net income (loss) per share – continuing operations	**$**	**0.061**	**$**	**(0.075)**
Diluted net income (loss) per share – continuing operations	**$**	**0.049**	**$**	**(0.075)**
Income (loss) from discontinued operations	$	(46)	$	1,596
Basic net income (loss) per share – discontinued operations	**$**	**(0.002)**	**$**	**0.054**
Diluted net income (loss) per share – discontinued operations	**$**	**(0.002)**	**$**	**0.037**

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

Preferred shares

Issued:

	Number of Shares	Amount
Balance June 30, 2017 and 2018	**9,658,750**	**$ 19,526**

The Class C preferred shareholders are entitled to an annual cumulative per share dividend of 8% payable quarterly in cash and cannot be redeemed at the option of the shareholder. The preferred shares are convertible into common shares at the option of the holder at a rate of one common share for each preferred share subject to market standard anti-dilution provisions. Upon the closing of an IPO or other financing undertaken in conjunction with a public listing of the Company's shares, the preferred shares will automatically convert into common shares at the lesser of: (i) the conversion rate; and (ii) 85% of the price of the liquidity event, based on the purchase price of the preferred shares.

In fiscal 2017, the Company issued 500,000 Class C preferred shares at a price of $2.00 per share to a company owned by a director of the Company. The Company repurchased 417,500 Class C preferred shares, 317,500 of which were from a company owned by a former director of the Company.

Warrants

The following table summarizes the share purchase warrants outstanding:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2016	706,000	$ 2.00
Expired	(106,000)	(2.00)
Balance, June 30, 2017	600,000	**$ 2.00**
Expired	(600,000)	(2.00)
Balance, June 30, 2018	**-**	**$ -**

In fiscal 2018, 600,000 warrants issued during the year ended June 30, 2016 expired.

In fiscal 2017, 106,000 warrants issued during the year ended June 30, 2014 expired.

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

Share-based compensation

The Company has established a Share Option Plan (the "option plan") which provides for options to purchase common shares to be granted by the Company to directors, officers, employees and consultants of the Company. Options will generally vest over a period of 36 months. The fair value of the options issued is recognized in share-based compensation over the vesting period, with a corresponding charge to contributed surplus. The maximum number of common shares issuable under the option plan is 10% of the total number of issued and outstanding shares at the grant date of an option.

The fair value of each option granted during the year is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 30, 2018	June 30, 2017
Share price on date of grant	$ 2.00	n/a
Interest rate	1.91%	n/a
Expected life	7 years	n/a
Volatility	41.59%	n/a
Exercise price	$ 2.00	n/a

The following table summarizes the changes in stock options outstanding:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2016	2,595,000	$ 1.65
Issued	-	-
Forfeited	(800,000)	1.95
Balance, June 30, 2017	**1,795,000**	**$ 1.51**
Issued	25,000	$ 2.00
Expired	(100,000)	2.00
Forfeited	(150,000)	1.40
Balance, June 30, 2018	**1,570,000**	**$ 1.44**

The following table summarizes the stock options outstanding at June 30, 2018:

Exercise price	Number of options	Expiry date	Weighted average remaining contractual life (years)	Number of options exercisable
$ 1.25	1,175,000	Nov 2020 – Jan 2021	2.40	1,175,000
$ 2.00	395,000	June 2021 – Sept 2024	3.79	353,750
	1,570,000		**2.75**	**1,528,750**

Share-based compensation includes nil (2017 - $904) in services rendered from a subsidiary of the Company.

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

14. GOVERNMENT FINANCING AND ASSISTANCE

During the year, investment in content and direct operating expenses have been reduced by the following:

	June 30, 2018	June 30, 2017
Equity investment from third parties	$ 1,196	$ 4
Non-repayable contributions from the Canada Media Fund license fee program	6,240	7,101
Tax credits relating to production activities	25,996	35,998
	$ 33,432	**$ 43,103**

During the year investment in content was reduced by $26,634 (2017 - $27,023) and direct operating expenses were reduced by $6,798 (2017 - $16,080).

Equity investment from third parties is related to equity participation by government agencies, private funds or broadcasters and is recoupable from distribution revenue of the specific productions for which the financing was provided. The Company is subject to routine inquiries and review by regulatory authorities of its various incentive claims which have been received or are receivable. Adjustments of claims, if any, as a result of such inquiries or reviews will be recorded at the time of such determination. There have been no material adjustments to date.

15. REVENUE AND GEOGRAPHIC INFORMATION

The following table presents components of revenue:

	2018	2017
Production services revenue	$ 91,578	$ 68,047
Licensing and distribution revenue	48,618	24,115
Other revenue	2,206	2,951
	$ 142,402	**$ 95,113**

In fiscal 2018, 49% (2017- 57%) of revenues are derived from a single external customer.

Of the Company's $142,402 (2017 - $95,113) in revenues for the year ended June 30, 2018, $32,318 (2017 - $27,521) was attributable to external customers located in Canada, $96,208 (2017 - $61,968) was attributable to external customers located in the U.S., $7,123 (2017 – $3,209) was attributable to external customers located in the U.K. and $6,753 (2017 - $2,415) was attributable to external customers based outside of Canada, the U.S. and the U.K.

As at June 30, 2018, the following non-current assets were attributable to the Company's entity based in the U.K.: $602 of long-term trade receivables, $1,439 of investment in content, and $20 of property and equipment (2017 - $737, $925, and nil, respectively). All other noncurrent assets were attributable to the Company's entities based in Canada.

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

16. INCOME TAXES

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

	2018	2017
Current provision	$ 1,970	$ 695
Deferred recovery	(488)	(827)
Net income tax expense (recovery)	**$ 1,482**	**$ (132)**

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

	2018	2017
Net income (loss) before income taxes	$ 4,843	$ (819)
Combined Federal and British Columbia Provincial tax rates	26.50%	26.00%
Expected income tax expense (recovery)	1,283	$ (213)
Effect on income taxes of:		
Permanent differences	17	(387)
Change in tax rates	32	(7)
Change in deferred tax assets not recognized	(11)	841
Other	161	(366)
Income tax expense (recovery)	**$ 1,482**	**$ (132)**

For the year ended June 30, 2018, the Company's blended federal and provincial tax rate is 26.5%, a result of using a provincial tax rate of 11% for the six months ended December 31, 2017 and an increased provincial tax rate of 12% for the six months ended June 30, 2018 due to the provincial tax rate increasing to 12% at January 1, 2018. As a result of the change in the provincial tax rate, the Company has recorded an estimated $32 expense, primarily as a result of the remeasurement of its deferred tax assets and deferred tax liabilities. The Company's deferred tax assets and deferred tax liabilities have been remeasured to reflect the increased provincial tax rate expected to apply when the deferred tax assets and deferred tax liabilities are settled or realized in future periods.

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

	Intangibles	Investment in content	Unused tax loss	Financing Costs	Other	Total
Balance at June 30, 2016	$ (1,324)	$ 383	$ 683	$ 71	$ (301)	$ (488)
Credit (charge) to income	495	(1,049)	1,080	(29)	330	827
Balance at June 30, 2017	**(829)**	**(666)**	**1,763**	**42**	**29**	**339**
Credit (charge) to income	178	1,441	(944)	(36)	(151)	488
Balance at June 30, 2018	**$ (651)**	**$ 775**	**$ 819**	**$ 6**	**$ (122)**	**$ 827**

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

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

The deferred tax balances have been reflected in the Consolidated Statement of Financial Position as follows:

	Intangibles	Investment in content	Unused tax loss	Financing Costs	Other	Total
Deferred tax assets	$ -	$ 3,543	$ 819	$ 6	$ 80	$ 4,448
Deferred tax liabilities	(651)	(2,768)	-	-	(202)	(3,621)
Total	**$ (651)**	**$ 775**	**$ 819**	**$ 6**	**$ (122)**	**$ 827**

In assessing the realization of the Company's deferred tax assets, management considers whether it is probable that sufficient taxable profits will be available against which the deferred tax assets can be applied in future periods. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company has the following unrecognized deferred tax assets and unused tax loss carry-forwards for which no deferred tax asset is recognized in the consolidated statement of financial position:

	June 30, 2018	June 30, 2017
Non-capital losses	$ 61	$ 173
Investment in content	-	33
Other	794	792
Total assets not recognized	**$ 855**	**$ 998**

As at June 30, 2018, the Company has non-capital loss carryforwards of $2,725 (2017 - $3,674), which are available to offset future taxable income. These non-capital loss carryforwards expire between fiscal 2029 and 2038.

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Financial instrument	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Future consideration liability	Other financial liabilities	Fair value (note 20)
Interim production financing	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Redeemable preferred shares	Other financial liabilities	Amortized cost

The carrying value of the financial instruments approximates fair value due to their short term to maturity.

All of the Company's cash and cash equivalents is transacted in active markets. Accordingly, the Company's redeemable preferred shares and future consideration liability are classified as Level 3 and all other financial assets and liabilities are classified as Level 2. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

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

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

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

Credit risk

The Company is subject to credit risk with respect to cash and cash equivalents and trade receivables and production financing. Production financing receivable is mainly with Canadian broadcasters and large international distribution companies. For certain arrangements with licensees, the Company is considered the agent, and only reports the revenue net of the licensor's share. When the Company bills a third party in full where it is an agent for the licensor, the Company records an offsetting amount in accounts payable to the licensee when the amount is collected from a third party. This reduces credit risk, as the Company is only exposed to the amounts receivable related to the revenue it records.

At June 30, 2018, no broadcaster/distributor individually accounted for more than 10% of trade and production financing receivables. The Company does not have an allowance for doubtful amounts as at June 30, 2018 and 2017 as management believes that the net amount of receivables is fully collectible. The Company generally does not require collateral.

All cash and cash equivalents balances are held at major Canadian banking institutions.

Liquidity risk

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

The Company expects to satisfy obligations through cash flows from operations and new financing. The timing of cash outflows relating to the financial liabilities is outlined below:

	Less than 1 year	1 to 5 years	Total
Accounts payable and accrued liabilities	$ 10,525	$ -	$ 10,525
Income taxes payable	2,523	-	2,523
Interim production financing	41,681	-	41,681
Long-term debt	-	1,534	1,534
Deferred revenue	9,367	-	9,367
Obligations under finance leases	1,390	1,421	2,811
Redeemable preferred shares	3,405	9,961	13,366
Total	**$ 68,891**	**$ 12,916**	**$ 81,807**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and government assistance risk, 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 as a result 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 $532 change to net loss for the year ended June 30, 2018 (2017 - $594). The Company has no interest rate hedges or swaps outstanding at June 30, 2018.

ii. Foreign currency exchange risk

Foreign currency exchange risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's activities which expose it to currency risk involve the holding of foreign currencies as well as earning revenues and incurring expenses that are denominated in foreign currencies. The Company has not engaged in any foreign exchange hedging activities to date, however, the Company 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, 2018, revenue denominated in US dollars accounted for 10% (2017 - 6%) of total revenue. As at June 30, 2018, a 5% fluctuation in the US dollar exchange rate would have an impact of approximately $513 (2017 - $33) on net loss.

The Company is also exposed to foreign exchange risk on its cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and interim production financing that are denominated in US dollars and Euros. A 5% fluctuation in the US dollar closing rate would result in a change to net earnings for the year ended June 30, 2018 of approximately $28 (2017 - $413). A 5% fluctuation in the Euro closing rate would result in a change to net loss for the year ended June 30, 2018 of approximately nil (2017 - nil).

18. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic acquisitions, and to maximize the return to shareholders through the optimization of a reasonable debt and equity balance commensurate with current operating requirements. The Company defines capital as the aggregate of its shareholders' equity and long-term debt less cash.

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

The Company is not exposed to externally imposed capital requirements and expects that its current capital resources will be sufficient to carry out operations beyond its current reporting period. The overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2017. Refer to note 24 for changes subsequent to year-end.

19. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Related Party Transactions

During the year ended June 30, 2018, dividends of $657 (2017 - $685) were paid to key management personnel and companies owned by key management personnel. Producer fees of $174 (2017 – $429) were paid to companies owned by directors and a president and revenue of $435 (2017 - $160) was received from a company owned by a director and president. Contingent payments relating to the acquisition of Great Pacific Media ("GPM") of $1,348 (2017 - $1,152) were paid to a director and president. At June 30, 2018, $607 (2017 - $117) was due from a company owned by a director and president.

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

A subsidiary of the Company with a net value of $1 dollar was sold to a company owned by a director for $1 dollar, resulting in a gain or loss on sale of nil. The following are the assets and liabilities of the subsidiary as at the date of sale:

		March 31, 2018
Cash	$	3,950
Accounts receivable		16,979
Total assets	$	20,929
Accounts payable and accrued liabilities	$	86
Interim production financing		20,842
Total liabilities	$	20,928
Net Assets	**$**	**1**

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

Key Management Personnel Compensation
Key management includes all directors, as well as the Executive Chair, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and President. The remuneration of directors and officers is as follows:

		2018		2017
Short-term benefits	$	2,444	$	1,486
Share-based payments (note 13)		25		79
Total	$	2,469	$	1,565

20. COMMITMENTS AND CONTINGENCIES

Lease commitments
The Company leases its office premises, for which future minimum lease payments are as follows:

		2018
Within 1 year	$	2,045
Within 2 years		2,090
Within 3 years		2,057
Within 4 years		1,945
Within 5 years		1,743
Beyond 5 years		8,973
	$	**18,853**

For the year ended June 30, 2018, the rent expense under these operating leases was $1,439 (2017 - $1,044). Leases for certain of the Company's premises include renewal options and rent escalation clauses.

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

The Company leases equipment, for which future minimum lease payments are as follows:

		2018
Within 1 year	$	1,443
Within 2 years		1,250
Within 3 years		251
Total minimum lease payments		2,944
Less: amount representing interest		(133)
	$	**2,811**

For the year ended June 30, 2018, an amount of $4,761 (2017 - $2,559) of furniture and equipment and computer equipment was held under finance leases. Accumulated depreciation relating to this property and equipment amounted to $2,557 (2017 - $1,875).

Litigation

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

Future contingent consideration

On January 1, 2015, in accordance with the Share Purchase Agreement, the Company acquired all the issued and outstanding shares of GPM, a television production company. Total consideration of $16,000 comprised 4,000,000 common shares issued at $2.00 per share totaling a fair value of $8,000, and cash of $8,000 paid over three years in which $4,500 is subject to a performance adjustment based on a 3 year average EBITDA and is payable over a period of 38 months from closing.

The total fair value of future consideration of the purchase price was $6,005. Included in this future consideration is contingent consideration with a fair value of $3,111. The contingent consideration liability is recorded at fair value using the probability-weighted payout approach. As at June 30, 2018, the contingent consideration has a fair value of nil (2017 - $1,476).

The continuity of the future consideration liability is as follows:

		Amount
Fair value at June 30, 2016	$	4,021
Liability settled		(2,303)
Accretion on re-valuation of liability		758
Fair value at June 30, 2017		2,476
Liability settled		(2,697)
Accretion on re-valuation of liability		221
Fair value at June 30, 2018	**$**	**-**

Shown in the consolidated statement of financial position as:

		June 30, 2018		June 30, 2017
Current	$	-	$	2,476
Non-current	$	-	$	-

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

21. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2018	2017
Operating activities		
Changes in non-cash working capital		
Accounts receivable	$ 210	$ (4,690)
Income taxes recoverable	252	193
Other current assets	(80)	-
Accounts payable and accrued liabilities	(4,149)	(3,028)
Income taxes payable	1,443	(312)
Settlement of future consideration liability	(2,697)	(2,303)
Deferred revenue	(18,732)	24,490
	$ (23,753)	**$ 14,350**

	2018	2017
Interest and debt service costs paid	$ 1,915	$ 2,777
Income taxes paid	$ 62	$ 448
Property and equipment purchased through finance lease	$ 1,237	$ -

The change in liabilities arising from financing activities is as follows:

		Cash flows from (used in)		Non-cash changes			
	Balance June 30, 2017	Proceeds	Repayments	Additions	Disposals	Foreign Exchange Movements	Balance June 30, 2018
Interim production financing	$57,337	$ 49,098	$ (43,659)	$ -	$(20,842)	$ (253)	$ 41,681
Long-term debt	$ -	$ 2,154	$ (620)	$ -	$ -	$ -	$ 1,534
Finance leases - current	$ 658	$ 1,186	$ (1,015)	$ 561	$ -	$ -	$ 1,390
Finance leases – long-term	$ 489	$ 256	$ -	$ 676	$ -	$ -	$ 1,421

22. FINANCE COSTS, NET

	2018	2017
Accretion of redeemable preferred shares (note 12)	$ -	$ 17
Accretion on contingent consideration	221	758
Interest and bank charges	1,522	438
Interest income	(104)	(79)
Realized foreign exchange loss	93	156
Unrealized foreign exchange gain	(158)	(746)
	$ 1,574	**$ 544**

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

23. EXPENSES BY NATURE

The following sets out the expenses by nature:

	2018	2017
Investment in content		
Direct production and new media costs	$ 85,442	$ 65,930
Amortization of content	28,178	9,045
Distribution and marketing	3,478	2,530
Development expenses and other	309	344
Contractors, salaries and employee benefits	11,056	9,675
Share-based compensation	25	946
Office and administrative	4,312	3,387
Finance expense	1,574	544
Professional	525	761
Amortization of property and equipment and intangible assets	2,660	2,770
	$ 137,559	**$ 95,932**

24. SUBSEQUENT EVENTS

RBC Credit Facility Drawdown

Subsequent to year-end, the Company drew down $6,000 of the three-year Non-Revolving Term Loan (note 11) above in order to repurchase common shares of certain shareholders of the Company. 4,800,000 shares were repurchased at a price of $1.25 per share.

Reverse Take-over

On July 27, 2018, the Company signed a letter of intent with a TSX Venture Exchange listed company, Golden Secret Ventures Ltd. ("Golden Secret"), pursuant to which Golden Secret will acquire 100% of the shares of the Company via a reverse take-over (the "Transaction"). The Transaction will be effected by way of a Plan of Arrangement under which securityholders of the Company will exchange their securities of the Company for securities of Golden Secret. Prior to effecting the share exchange, Golden Secret will consolidate its issued and outstanding common shares on a 10:1 basis. Shareholders of the Company will be issued an aggregate of up to 37,404,118 post-Consolidation common shares and up to 1,054,000 preferred shares of Golden Secret convertible into up to 351,333 post-Consolidation common shares of Golden Secret. The resulting company after completion of the Transaction (the "Resulting Issuer") will carry on the current business of the Company. In October 2018 the Transaction was approved by the shareholders of the Company.

In September 2018 the Company completed a brokered private placement financing of 5,125,000 subscription receipts at a price of $2.00 per subscription receipt for aggregate gross proceeds of $10,250. Each subscription receipt will be exchangeable for one post-Consolidation common share of the Resulting Issuer on Closing of the Transaction. For their services in connection with the financing, the agent received a cash commission equal to 7% of the gross proceeds raised, a corporate finance fee of $195 and 344,500 agent's warrants entitling it to purchase that number of post-Consolidation common shares. The cash commission and Agent's Warrants were reduced to 2% each for subscribers on the president's list.

As part of the private placement, the Company completed a debenture financing for aggregate proceeds of $2,250 by issuing convertible debentures with an interest rate of 8%, each debenture being ultimately convertible into one post-Consolidation common share of the Resulting Issuer on closing of the Transaction.

In October 2018, the Company retracted 166,666 of the Class A Series 2 and 943,076 of the Class B Series 1 redeemable preferred shares at a value of $1.00 per share. At the same time, 77,778 of the Class A Series 2 and 435,674 of the Class B Series 1 redeemable preferred shares were converted into common shares on the basis of 0.67 common share for each one preferred share.

Stock options

On July 26, 2018, the Company granted options to acquire 1,120,000 shares of its common stock to an executive and an employee. The options have an exercise price of $2.00 per share, a seven-year term and vest 25% immediately with the remaining 75% vesting one-third over each anniversary date.

On October 11, 2018, the Company granted options to acquire 1,421,000 shares of its common stock to employees. The options have an exercise price of $2.00 per share, a seven-year term and vest 25% immediately with the remaining 75% vesting one-third over each anniversary date.