THUNDERBIRD ENTERTAINMENT

Thunderbird Entertainment Group Inc.

Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

Independent auditor's report

To the Shareholders of Thunderbird Entertainment Group Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Thunderbird Entertainment Group Inc. and its subsidiaries (together, the Company) as at June 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at June 30, 2021 and 2020;
- the consolidated statements of operations and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

Other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
October 19, 2021

THUNDERBIRD ENTERTAINMENT GROUP INC.
Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	*Notes*		**At June 30, 2021**		**At June 30, 2020**
ASSETS					
Current					
Cash and cash equivalents		$	22,420	$	12,820
Trade receivables and other	*5*		62,939		58,735
Income taxes recoverable			1,320		1,001
Current portion of lease receivable	*11*		167		-
Assets held for sale	*4*		-		1,222
			86,846		73,778
Long-term trade receivables and other	*5*		2,845		3,103
Investment in content	*6*		21,933		25,292
Deferred tax assets	*16*		7,871		8,290
Property and equipment	*7*		25,957		31,096
Long-term lease receivable	*11*		1,344		-
Goodwill and intangible assets	*8*		13,348		13,618
Total Assets		**$**	**160,144**	**$**	**155,177**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities		$	8,400	$	7,708
Income taxes payable			1,649		1,131
Interim production financing	*9*		32,845		42,420
Deferred revenue	*15*		21,198		14,999
Current portion of lease obligations	*11*		4,718		5,419
Redeemable preferred shares	*12*		576		926
Liabilities associated with assets held for sale	*4*		-		759
			69,386		73,362
Long-term lease obligations	*11*		20,303		21,443
Deferred tax liabilities	*16*		6,525		6,711
Total Liabilities			**96,214**		**101,516**
Shareholders' Equity					
Preferred shares	*12*		82		132
Common shares	*13*		67,528		62,634
Accumulated other comprehensive income			177		259
Warrants reserve	*13*		-		168
Contributed surplus	*13*		4,424		4,486
Deficit			(8,281)		(14,018)
Total Shareholders' Equity			**63,930**		**53,661**
Total Liabilities and Shareholders' Equity		**$**	**160,144**	**$**	**155,177**

Commitments and Contingencies - Note 20
Subsequent Events - Note 24

Approved on behalf of the Board:

"Jennifer Twiner McCarron"
Jennifer Twiner McCarron, Director

"Marni Wieshofer"
Marni Wieshofer, Lead Director

See accompanying notes to the consolidated financial statements.

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

(in thousands of Canadian dollars except for share data)	*Notes*		**Year ended June 30, 2021**		**2020***
Revenue	*15*	$	111,519	$	81,289
Expenses					
Direct operating	*22*		76,634		51,419
Distribution and marketing			847		1,410
General and administrative	*22*		15,239		13,259
Share-based compensation	*13*		1,168		683
Amortization of property and equipment and intangible assets	*22*		8,321		7,630
Finance costs, net	*23*		470		1,240
Foreign exchange loss (gain)			163		(66)
Gain on disposal of right-of-use asset	*11*		(277)		-
Loss on disposal of property and equipment	*11*		733		-
			103,298		75,575
Income before income taxes			8,221		5,714
Income tax expense	*16*		2,531		1,583
Net income from continuing operations			5,690		4,131
Income (loss) from discontinued operation	*4*		47		(1,088)
Income (loss) from discontinued operation			47		(1,088)
Net income for the year			**5,737**		**3,043**
Other comprehensive income (loss)					
Items that may be subsequently reclassified to net income (loss)					
Foreign currency translation adjustment			(47)		4
Loss on translation of discontinued operation	*4*		(35)		(9)
			(82)		(5)
Comprehensive income for the year		**$**	**5,655**	**$**	**3,038**
Basic income per share - continuing operations	*13*	$	0.119	$	0.089
Basic income (loss) per share - discontinued operation	*13*	$	0.001	$	(0.023)
Total basic income per share		$	0.120	$	0.066
Diluted income per share - continuing operations	*13*	$	0.113	$	0.084
Diluted income (loss) per share - discontinued operation	*13*	$	0.001	$	(0.023)
Total diluted income per share		$	0.114	$	0.061

*See note 3(u) for details of revisions to prior period amounts.

See accompanying notes to the consolidated financial statements.

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

(in thousands of Canadian dollars)	*Notes*	Preferred shares	Common shares	Accumulated other comprehensive income	Warrants reserve	Contributed surplus	Deficit	Total
Balance at June 30, 2019		$ 132	$ 62,517	$ 264	$ 168	$ 3,900	$ (17,061)	$ 49,920
Comprehensive income (loss)		-	-	(5)	-	-	3,043	3,038
Share-based compensation	*13*	-	-	-	-	683	-	683
Exercise of options	*13*	-	117	-	-	(97)	-	20
Balance at June 30, 2020		**132**	**62,634**	**259**	**168**	**4,486**	**(14,018)**	**53,661**
Comprehensive income (loss)		-	-	(82)	-	-	5,737	5,655
Share-based compensation	*13*	-	-	-	-	1,168	-	1,168
Conversion of redeemable preferred shares	*12*	(50)	400	-	-	-	-	350
Shares issued as management compensation	*13*	-	114	-	-	-	-	114
Exercise of options	*13*	-	3,538	-	-	(1,230)	-	2,308
Exercise of warrants	*13*	-	842	-	(168)	-	-	674
Balance at June 30, 2021		**$ 82**	**$ 67,528**	**$ 177**	**$ -**	**$ 4,424**	**$ (8,281)**	**$ 63,930**

See accompanying notes to the consolidated financial statements.

THUNDERBIRD ENTERTAINMENT GROUP INC.
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	*Notes*	2021	2020
		Year ended June 30,	
OPERATING ACTIVITIES			
Net income for the year		$ 5,737	$ 3,043
Net income (loss) from discontinued operation		(47)	1,088
Net income from continuing operations		5,690	4,131
Items not involving cash:			
Amortization of investment in content	*6*	19,173	16,172
Amortization of property and equipment	*7*	1,356	1,564
Amortization of right-of-use assets	*7*	6,695	5,796
Amortization of intangible assets	*8*	270	270
Share-based compensation	*13*	1,168	683
Deferred income taxes recovery	*16*	233	103
Unrealized foreign exchange gain		(989)	(156)
Loss on disposal of property and equipment		733	11
Gain on disposal of right-of-use asset		(358)	-
Termination and modifications of leases		111	-
Impairment of development costs	*6*	433	309
Changes in non-cash working capital	*21*	2,962	1,461
Investment in content		(15,202)	(13,804)
Cash flows provided by continuing operations		22,275	16,540
Cash flows provided by (used in) discontinued operation		511	(995)
		22,786	15,545
FINANCING ACTIVITIES			
Repayment of interim production financing	*21*	(63,069)	(55,279)
Proceeds from interim production financing	*21*	54,447	49,328
Repayment of obligations under leases	*21*	(6,732)	(6,170)
Proceeds from obligations under leases	*21*	1,032	1,047
Repayment of long-term debt		-	(1,433)
Proceeds from exercise of warrants and share options	*13*	2,982	20
Cash flows used in continuing operations		(11,340)	(12,487)
Cash flows used in discontinued operation		-	(504)
		(11,340)	(12,991)
INVESTING ACTIVITIES			
Purchase of property and equipment		(1,360)	(3,312)
Costs of disposal of property and equipment		(69)	-
Cash flows used in continuing operations		(1,429)	(3,312)
Cash flows used in discontinued operation		-	(3)
		(1,429)	(3,315)
Effect of exchange rate changes on cash and cash equivalents		(417)	151
Net increase (decrease) in cash and cash equivalents during the year		9,600	(610)
Cash and cash equivalents, beginning of year		12,820	13,430
Cash and cash equivalents, end of year		**$ 22,420**	**$ 12,820**

See accompanying notes to the consolidated financial statements.

1. NATURE OF BUSINESS

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

Thunderbird Entertainment Group Inc. is a public company that is listed on the TSX Venture Exchange ("TSX-V"), which commenced trading under the symbol "TBRD" on November 2, 2018, and the OTCQX® Best Market, which commenced trading under the symbol "THBRF" on November 10, 2020.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on October 19, 2021.

2. BASIS OF PRESENTATION

Statement of compliance
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
These consolidated financial statements have been prepared under the historical cost convention.

Functional and presentation currency
The consolidated financial statements are presented in Canadian dollars ("CA$") which is the functional currency of the Company and its Canadian subsidiaries.

Reclassification of comparatives
Certain prior period amounts in the consolidated statement of operations and comprehensive income (loss) have been reclassified to conform with the current period presentation, such as certain costs previously classified to general and administrative have been reclassified to direct operating. This reclassification had no effect on the reported results of operations.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Principles of consolidation
The consolidated financial statements include the accounts of the Company and all its subsidiaries. The Company's principal wholly owned subsidiaries as at June 30, 2021, were Thunderbird Entertainment Inc., Great Pacific Media Inc. and Atomic Cartoons Inc. and subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. All intercompany transactions and balances have been eliminated upon consolidation.

(b) Significant accounting estimates and judgments

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

Risks and uncertainties from COVID-19

On March 11, 2020, the World Health Organization ("WHO") declared COVID-19 a pandemic. In response to the WHO declaration and the continuing spread of COVID-19, there have been several social distancing measures taken by the Company and third parties including governments, regulatory authorities, businesses and the Company's customers that could negatively impact the Company's operations and financial results in future periods. These conditions continued to exist as at June 30, 2021 and as of the date of reporting.

The Company has implemented a specific response plan, informed by measures recommended by public health agencies, to continue providing its services and support to customers while safeguarding the health and safety of employees. While the COVID-19 pandemic continues to impact the Company in a number of ways, most significantly through disruptions in the production of content, the Company has remained fully operational throughout the pandemic. Due to the nature of the work environment and a strong demand, the Company has not had a significant negative impact to date.

Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty associated with the Company's future operating assumptions and expectations as compared to periods prior to COVID-19. As such, it is not possible to estimate the impacts COVID-19 will have on the Company's financial position or results of operations in future periods.

Investment in content

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

Leases

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. In its determination as to whether the Company is reasonably certain to exercise a renewal option, it considers all facts and circumstances that create an economic incentive for it to exercise the option. After the commencement date, the Company reassesses the lease term for whether a significant event or change in circumstances affects its ability to exercise the option or not has occurred.

Revenue when performance obligations are satisfied over time

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

Share-based compensation
Amounts recorded for share-based compensation are based on estimates of future volatility of the Company's share price, 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.

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 ("CGUs"). The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use, being the present value of the expected future cash flows of the CGU. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The key assumptions used to determine the fair value less costs of disposal and value in use of the CGU are disclosed and further explained in note 8.

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 that 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.

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

Foreign operations
The Company has operations in the United States ("U.S.") transacted via U.S. subsidiaries. The functional currency of its U.S. subsidiaries is U.S. Dollars ("US$"). 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. As at June 30, 2021, the Company has sold its operations previously held in the United Kingdom ("U.K."). Refer to note 4.

(d) Trade receivables and other
Amounts receivable are non-interest bearing and are generally on 30 to 60-day terms. Therefore, they are stated at their nominal value net of lifetime expected credit losses. Amounts receivable that are collectible within the normal operating cycle are included within current assets, of which the normal operating cycle of the Company can be greater than 12 months. Amounts receivable that are collectible within a period greater than the normal operating cycle are classified as long-term amounts receivable. Refer to note 5.

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

For trade receivables, the Company applies the simplified approach for determining expected credit losses, which requires it to determine the lifetime expected losses for all of its trade receivables. The expected lifetime credit loss provision for trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information, as required. Since most of its customers are considered to have low default risk and the historical default rate and frequency of loss are low, the lifetime expected credit loss allowance for trade receivables is nominal as at June 30, 2021 and 2020.

(e) Investment in content

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

The Company's policy is to amortize released content using a declining balance method at rates ranging from 50% – 95% in the year that the episodes have been delivered and the license term commences and at rates ranging from 5% – 10% annually for the following two years. Thereafter released content is amortized on a straight-line basis over seven years. 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 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.

(f) Property and equipment

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

Computer 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.

(g) Leases

Right-of-use assets

At the lease commencement date, the Company recognizes a right-of-use asset ("ROU asset") at an amount equal to the lease liability and adjusted to include any prepaid lease payments, less any lease incentives, plus initial direct costs incurred, and any costs of dismantling and restoring an asset to a specific condition. The ROU assets are amortized over a period which is the earlier of the end of the asset's estimated useful life or the end of the lease term. Amortization of ROU assets are included in amortization of property and equipment and intangible assets expense in the consolidated statement of operations and comprehensive income (loss) and ROU assets are presented as a component of property and equipment in the consolidated statement of financial position.

Under IFRS 16, ROU assets are tested for impairment in accordance with IAS 36, *Impairment of Assets*, which replaces the previous requirement to recognize a provision for onerous lease contracts under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Lease obligations
The lease obligation is initially measured as the present value of the future payments discounted using the rate implicit in the lease. However, if that rate is not readily determinable, the entity's incremental borrowing rate ("IBR") is to be used. An entity's IBR is the rate the Company would have to pay for similar assets at similar locations over a similar term. Subsequent to initial measurement, lease obligations are amortized in a similar manner to finance leases under IAS 17, *Leases* ("IAS 17"). Interest charges are reported as part of finance costs in the consolidated statement of operations and comprehensive income (loss) and lease obligations are reported as a separate line item in the consolidated statement of financial position.

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

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

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

(h) Goodwill and intangible assets
Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses and is not subject to amortization. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Goodwill is allocated to a CGU, or group of CGUs, which is the lowest level within an entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Impairment is tested by comparing the recoverable amount of goodwill assigned to a CGU or group of CGUs to its carrying value. Refer to note 8.

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

The following intangible assets are amortized over the following periods:

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

(i) Impairment of non-financial assets

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

(j) Revenue recognition

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

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

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

Revenue from production services for third parties and other revenues where performance obligations are satisfied over time are recognized based upon the proportion of 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. The Company acts as the principal in its arrangements for production services, licensing of content and distribution, and as such, revenues are reported on a gross basis, resulting in revenues and expenses being classified in their respective financial statement line items. However, in a small number of distribution arrangements, the Company acts as the agent, and as such, 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, general and inventory risk and discretion in establishing prices.

(k) Earnings (loss) per share

Basic earnings (loss) 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.

(l) Finance costs

Direct costs relating to the issuance of shares are charged directly to share capital. Direct costs relating to long-term debt financing are recorded as a reduction of long-term debt and amortized using the effective interest method and the expense is included in interest expense.

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

(m) Share-based compensation

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

(n) Fair value measurement

The Company measures financial instruments at fair value at each consolidated statement of financial position date. Fair values of financial instruments measured at amortized cost are disclosed in note 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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(o) Financial instruments

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

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

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

Financial assets at amortized cost
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are measured at amortized cost 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 and amounts receivable are classified as amortized cost.

Financial liabilities at amortized cost
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 financial liabilities at amortized cost.

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

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

(q) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, deposits held with financial institutions and guaranteed investment certificates ("GICs") with an original maturity of less than three months.

(r) Income taxes
Income tax expense comprises 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 at the reporting date.

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

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.

(s) Segment reporting
The Company operates production entities and offices in Canada and Los Angeles, U.S.A. The Company's business operates primarily through one operating segment being 'film and television production and distribution'. The operating results of the segment are reviewed by the Company's chief operating decision makers. The Company has determined that they have one segment for reporting purposes. As at June 30, 2021, the Company has sold its previously held operations in the United Kingdom ("U.K."). Refer to note 4.

(t) Standards issued but not yet effective
Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the Company.

(u) Statement of operations reconciliation
The effect of the changes made to the consolidated statement of operations for the year ended June 30, 2020 for the reclassifications as described in note 2 is as follows:

Consolidated statement of operations (extract)	June 30, 2020 - As originally presented	Reclassifications of expenses	June 30, 2020 - Revised
Expenses			
Direct operating	51,158	261	51,419
Distribution and marketing	1,410	-	1,410
General and administrative	13,519	(260)	13,259
Share-based compensation	683	-	683
Amortization of property and equipment and intangible assets	7,630	-	7,630
Finance costs, net	1,240	-	1,240
Foreign exchange gain	(65)	(1)	(66)
	75,575	-	75,575

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

(v) Change in accounting policy.

In fiscal 2020, the Company completed a change in accounting policy whereby certain overhead costs previously expensed were capitalized to investment in content, specifically to content in production. This is in line with IAS 38, *Intangible Assets*, in that the cost of the investment in content asset will now comprise all directly attributable costs necessary to create the asset. The change in accounting policy provides that investment in content costs are more reflective of the relevant costs of production. The Company will amortize these costs in the same manner as all other investment in content costs as described in note 3(e). In addition to the above, the Company also reclassified certain overhead costs to direct costs.

4. NET ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

In March 2021, the Company sold the shares of its U.K. operation. In March 2020, the Company had decided to cease its U.K. operation and classified the related assets and liabilities as held for sale. The results from the operation are classified as discontinued operations.

		2021		**2020**
Cash	$	-	$	538
Trade receivables and other		-		586
Investment in content		-		98
Assets held for sale		**-**		**1,222**
Accounts payable and accrued liabilities		-		633
Deferred revenue		-		126
Liabilities associated with assets held for sale		**-**		**759**
Net assets held for sale	**$**	**-**	**$**	**463**

The cumulative foreign exchange gains recognized in accumulated other comprehensive income in relation to the discontinued operation as at June 30, 2021 were nil (June 30, 2020 – foreign exchange losses of $35).

Analysis of the result of discontinued operation is as follows:

		Year ended June 30,		
		2021		**2020**
Revenue	$	650	$	2,195
Expenses		401		3,283
Income (loss) from discontinued operation		**249**		**(1,088)**
Loss on sale of discontinued operation		(202)		-
Income (loss) from discontinued operation		**47**		**(1,088)**
Loss on translation of discontinued operation		(35)		(9)
Other comprehensive loss from discontinued operation	**$**	**(35)**	**$**	**(9)**

In assessing the fair value of the net assets held for sale, the Company determined that all assets and liabilities had a fair value which was equal to net book value.

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

5. TRADE RECEIVABLES AND OTHER

Current		2021		2020
Trade receivables, net of loss allowance	$	13,847	$	9,731
Deposits, prepaids and other		3,363		3,246
Contract acquisition costs		453		330
Federal and provincial film and television tax credits receivable		45,276		45,428
	$	**62,939**	**$**	**58,735**

Non-current		2021		2020
Trade receivables, net	$	1,747	$	2,748
Deposits and prepaids		852		304
Contract acquisition costs		246		51
	$	**2,845**	**$**	**3,103**

The Company believes that its loss allowance is sufficient to reflect the related credit risk based on the history of collections and forward-looking information for collectability. Federal and provincial film and television tax credits receivable from government agencies are subject to audit by the applicable government agency. Management believes that the net amounts recorded are fully collectible. The Company adjusts amounts receivable from government agencies quarterly for any known differences arising from internal or external audits of these balances.

The aging of current trade receivables is as follows:

		2021		2020
Less than 60 days	$	13,639	$	9,016
Over 61 days		208		715
	$	**13,847**	**$**	**9,731**

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

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.

	Development costs	Content in production	Released content	Acquired content	Total
Cost					
Balance June 30, 2019	$ 1,079	$ 12,386	$ 118,356	$ 10,878	$ 142,699
Change in accounting policy[1]	-	1,107	1,937	-	3,044
Revised June 30, 2019	1,079	13,493	120,293	10,878	145,743
Additions[2]	493	14,213	-	377	15,083
Impairment[3]	(394)	-	-	-	(394)
Assets classified as held for sale	(34)	-	-	(4,915)	(4,949)
Transferred	(115)	(18,802)	18,917	-	-
Balance June 30, 2020	**1,029**	**8,904**	**139,210**	**6,340**	**155,483**
Additions[2]	837	15,535	-	54	16,426
Impairment	(433)	-	-	-	(433)
Transferred to service productions	(179)	-	-	-	(179)
Transferred	(120)	(16,498)	16,618	-	-
Balance June 30, 2021	**$ 1,134**	**$ 7,941**	**$ 155,828**	**$ 6,394**	**$ 171,297**
Amortization					
Balance June 30, 2019	$ -	$ -	$ 107,726	$ 8,597	$ 116,323
Change in accounting policy[1]	-	-	1,165	-	1,165
Revised June 30, 2019	-	-	108,891	8,597	117,488
Additions[4]	-	-	15,935	1,619	17,554
Assets classified as held for sale	-	-	-	(4,851)	(4,851)
Balance June 30, 2020	**-**	**-**	**124,826**	**5,365**	**130,191**
Additions	-	-	18,816	357	19,173
Balance June 30, 2021	**$ -**	**$ -**	**$ 143,642**	**$ 5,722**	**$ 149,364**
Net book value					
June 30, 2020	**$ 1,029**	**$ 8,904**	**$ 14,384**	**$ 975**	**$ 25,292**
June 30, 2021	**$ 1,134**	**$ 7,941**	**$ 12,186**	**$ 672**	**$ 21,933**

[1] See note 3(v).
[2] Net of government assistance (note 14) and third-party participation.
[3] Included in impairment is $85 in impairment related to the discontinued operation.
[4] Included in additions is $1,382 in amortization related to the discontinued operation.

Interest charges capitalized to the cost of film and television productions for the year ended June 30, 2021 amounted to $580 (year ended June 30, 2020 - $1,077).

For the year ended June 30, 2021, the Company recorded amortization of investment in content of $4,605 (2020 - $2,161) 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.

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

7. PROPERTY AND EQUIPMENT

	Computer equipment	Furniture and equipment	Leasehold improvements	Vehicles	ROU assets	Total
Cost						
Balance June 30, 2019	$ 7,380	$ 2,274	$ 1,581	$ 132	$ -	$ 11,367
Additions on adoption of IFRS 16	-	-	-	-	16,073	16,073
Reclass existing assets	(4,175)	-	-	-		-
Additions[1]	1,304	452	1,286	129	12,033	15,204
Disposals	(33)	(58)	(244)	-	-	(335)
Balance June 30, 2020	**4,476**	**2,668**	**2,623**	**261**	**32,281**	**42,309**
Additions	1,116	202	158	142	3,921	5,539
Reclass of assets[3]	(1,388)	-	-	-	1,388	-
Disposals	-	(22)	(992)	(17)	(1,782)	(2,813)
Balance June 30, 2021	**$ 4,204**	**$ 2,848**	**$ 1,789**	**$ 386**	**$ 35,808**	**$ 45,035**
Amortization						
Balance June 30, 2019	$ 2,299	$ 1,334	$ 460	$ 63	$ -	$ 4,156
Reclass existing amortization on adoption of IFRS 16	(446)	-	-	-	446	-
Charge for the year[2]	961	232	325	50	5,796	7,364
Disposals	(16)	(47)	(244)	-	-	(307)
Balance June 30, 2020	**2,798**	**1,519**	**541**	**113**	**6,242**	**11,213**
Charge for the year	817	245	224	70	6,966	8,322
Reclass of assets[3]	(351)	-	-	-	351	-
Disposals	-	(4)	(157)	(9)	(287)	(457)
Balance June 30, 2021	**$ 3,264**	**$ 1,760**	**$ 608**	**$ 174**	**$ 13,272**	**$ 19,078**
Net book value						
June 30, 2020	**$ 1,678**	**$ 1,149**	**$ 2,082**	**$ 148**	**$ 26,039**	**$ 31,096**
June 30, 2021	**$ 940**	**$ 1,088**	**$ 1,181**	**$ 212**	**$ 22,536**	**$ 25,957**

[1] Included in additions is $3 in additions related to the discontinued operation.
[2] Included in charge for the year is $4 in amortization related to the discontinued operation.
[3] Reclass of assets consists of existing computer equipment assets that have been converted to ROU assets under finance leases.

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

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

8. GOODWILL AND INTANGIBLE ASSETS

The continuity of goodwill and intangible assets is as follows:

	Goodwill	Distribution libraries	Customer relationships	Total
Cost				
Balance June 30, 2021, 2020 and 2019	**$ 12,402**	**$ 2,700**	**$ 1,470**	**$ 16,572**
Amortization				
Balance June 30, 2019	$ -	$ 1,214	$ 1,470	$ 2,684
Charge for the year	-	270	-	270
Balance June 30, 2020	**-**	**1,484**	**1,470**	**2,954**
Charge for the year	-	270	-	270
Balance June 30, 2021	**$ -**	**$ 1,754**	**$ 1,470**	**$ 3,224**
Net book value				
June 30, 2020	**$ 12,402**	**$ 1,216**	**$ -**	**$ 13,618**
June 30, 2021	**$ 12,402**	**$ 946**	**$ -**	**$ 13,348**

Impairment testing for goodwill

Goodwill is tested for impairment annually or more frequently if there are indications that the asset might be impaired. An impairment loss is recognized if the carrying value of the CGU exceeds its recoverable amount. For the purposes of allocating goodwill as at June 30, 2021, the Company has determined that goodwill is monitored based upon one operating segment being its film and television production and distribution ("production entities"). The Company tested the production entities' goodwill for impairment as at June 30, 2021, in accordance with its policy described in note 3. As the recoverable amount to which production entities' goodwill has been allocated was greater than its carrying value, the Company determined there was no impairment of production entities goodwill as at June 30, 2021.

For determining the recoverable amount of the CGUs goodwill, the Company used the value-in-use approach. To determine value in use, the Company utilized a two-year cash flow forecast based on management's best estimates considering historical and expected future production, distribution and other revenue deliveries, economic conditions and general outlook for the industry. The two-year cash flow forecast was based on a two-year, adjusted earnings before interest, taxes, depreciation, amortization and share-based compensation ("AEBITDA") forecast that was presented to the Board of Directors. The forecasts beyond that of the budget were prepared for future periods of three more years, using growth rates based on historical and forecast revenue growth rates, with a view of reaching a steady state following the five-year projection period. For forecasts beyond that of the budget, the Company has used an AEBITDA margin of 18%. The cash flows beyond the five-year period are extrapolated into perpetuity using a terminal growth rate of 2.5%.

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 a pre-tax rate of approximately 20.7%.

The recoverable amount is most sensitive to changes in AEBITDA growth forecasts. The recoverable amount of the CGU was estimated to exceed the carrying amount of the CGU by $18,904 as at June 30, 2021. A decrease in the AEBITDA margin of 1.8% could cause the recoverable amount of the CGU to be equal to the carrying amount. Management believes any reasonably possible change in other key assumptions on which the estimate of recoverable amount was determined would not result in an impairment.

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

9. INTERIM PRODUCTION FINANCING

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

	2021	2020
Interim production credit facilities with Royal Bank of Canada ("RBC"), bearing interest at RBC's prime rate plus 0.50% to 1.25% (June 30, 2020 - 0.50% to 1.25%). Secured by assignment and direction of trade receivables and tax credits of approximately $29,680 (June 30, 2020 - $38,168). The Company also enters into General Security Agreements. All facilities are repayable on demand.	$ 22,970	$ 39,305
Revolving production operating line of credit with RBC, bearing interest at RBC's prime rate plus 0.50%. Maximum funds available of $40,000 and secured by a General Security Agreement and assignment of federal and provincial tax credits of approximately $17,013. 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 ("SPPC").	9,875	-
Revolving term loan with RBC, bearing interest at RBC's prime rate plus 1.25% (June 30, 2020 - 1.25%). Maximum funds available of $5,000 and secured by a General Security Agreement. Repayable 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.	-	2,325
Revolving unmargined line of credit with RBC, bearing interest at RBC's prime rate plus 1.25% (June 30, 2020 - 1.25%). Maximum funds available of $3,000 and secured by a General Security Agreement. Repayable on demand.	-	790
	$ 32,845	**$ 42,420**

As at June 30, 2021, included in interim production credit facilities are loans repayable in US$ in the amount of US$5,659 (CA$7,013) (June 30, 2020 - US$9,748 (CA$13,284)).

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

10. LONG-TERM DEBT

As at June 30, 2021, the Company also has the following credit facilities with RBC which have not been drawn on:

- A five-year $10,000 non-revolving term loan at an interest rate of prime plus 0.50% and secured by a General Security Agreement. Under the terms of the loan, an annual cash flow sweep of 5% of the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA") will be due within 120 days of the fiscal year end of the Company and will be applied to repayment of the loan.
- Two non-revolving reducing single lease facilities totaling $1,046. These facilities may be used to finance equipment purchases and leasehold improvements.

Under the terms of the RBC credit facilities disclosed above, the Company is required to meet certain covenants. As at June 30, 2021, the Company was in compliance with all of the covenants.

11. LEASES

ROU assets

The continuity of ROU assets is as follows:

	Premises	Equipment	Vehicles	Total
Lease liability on initial adoption of IFRS 16	$ 15,692	$ 318	$ 63	$ 16,073
Reclass of assets under finance leases	-	3,729	-	3,729
Balance July 1, 2019	**15,692**	**4,047**	**63**	**19,802**
Additions	6,823	6,250	44	13,117
Lease incentives	(879)	-	-	(879)
Lease modifications	(205)	-	-	(205)
Amortization	(1,686)	(4,087)	(23)	(5,796)
Balance June 30, 2020	**$ 19,745**	**$ 6,210**	**$ 84**	**$ 26,039**
Additions	-	5,300	-	5,300
Lease modifications	142	(133)	-	9
Disposal	(1,474)	-	(21)	(1,495)
Amortization	(2,180)	(5,106)	(31)	(7,317)
Balance June 30, 2021	**$ 16,233**	**$ 6,271**	**$ 32**	**$ 22,536**

Amortization capitalized to investment in content for the year ended June 30, 2021 amounted to $271 (2020 - $109).

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

Lease obligations

The continuity of lease obligations is as follows:

	Premises	Equipment	Vehicles	Total
Lease liability on initial adoption of IFRS 16	$ 15,670	$ 4,353	$ 63	$ 20,086
Balance July 1, 2019	**15,670**	**4,353**	**63**	**20,086**
Additions	6,755	6,263	44	13,062
Lease modifications	(116)	-	-	(116)
Amortization	(1,357)	(4,791)	(22)	(6,170)
Balance June 30, 2020	**$ 20,952**	**$ 5,825**	**$ 85**	**$ 26,862**
Additions	44	5,302	-	5,346
Lease modifications	23	(137)	-	(114)
Disposal	(230)	-	(21)	(251)
Amortization	(1,771)	(5,020)	(31)	(6,822)
Balance June 30, 2021	**$ 19,018**	**$ 5,970**	**$ 33**	**$ 25,021**

On the date of initial adoption, the Company applied the practical expedient to designate leases with terms of less than 12 months as short-term. As a result, for the year ended June 30, 2021, $287 was expensed to office and administrative and $1,734 was capitalized to investment in content under the short-term exemption and $134 was expensed to office and administrative and $11 was capitalized to investment in content under the low-value exemption (2020 - $629, $80, $69 and nil, respectively).

The following table presents a reconciliation of the Company's undiscounted cash flows as at June 30, 2021 and 2020, to their present value for the Company's lease obligations:

	2021	2020
Within one year	$ 5,998	$ 6,684
Between one and five years	12,995	12,535
Beyond five years	12,270	15,183
Total undiscounted lease obligations	31,263	34,402
Less future interest charges	(6,242)	(7,540)
Total discounted lease obligations	25,021	26,862
Less current portion of lease obligations	**$ (4,718)**	**$ (5,419)**
Non-current portion of lease obligations	**$ 20,303**	**$ 21,443**

As at June 30, 2021, the total discounted lease obligations related to contracts with RBC amounted to $2,539, with $1,425 classified as current and $934 as non-current (2020 - $3,446, with $2,275 classified as current and $1,171 as non-current).

Lease receivable

In October 2020, the Company entered into an assignment agreement for one of its leases for office space. As the Company has not been fully discharged from the original lease, the assignment is accounted for as a sublease. The assignment is effective from November 1, 2020 to the end of the lease term on December 31, 2028.

As the sublease has been assessed as a finance sublease, the ROU asset previously recognized has been derecognized and the Company has recognized a lease receivable. The lease receivable was measured at the present value of the future lease payments to be made by the assignee using an incremental borrowing rate of 5.4%. In relation to the above, the Company recognized a gain on disposal of ROU asset of $266.

In addition, the Company has fully impaired the leasehold improvements associated with this lease and has recognized a loss on disposal of property and equipment of $736.

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

The continuity of the lease receivable is as follows:

		June 30, 2021
Balance June 30, 2020	**$**	**-**
Additions		1,602
Interest accrual (note 21)		49
Lease recoveries (non-cash)		(140)
Balance June 30, 2021	**$**	**1,511**

As at June 30, 2021, the minimum lease recoveries are as follows:

		2021
Within one year	$	238
Between one and five years		987
Beyond five years		609
Total undiscounted lease receivable		1,834
Less future interest income		(323)
Total discounted lease receivable		1,511
Less current portion of lease receivable	**$**	**(167)**
Non-current portion of lease receivable	**$**	**1,344**

12. REDEEMABLE PREFERRED SHARES

Issued and outstanding:

		Amount			
	Number of shares		Liability component		Equity component
Class A					
Balance June 30, 2020 and 2019	1,054,000	$	926	$	132
Conversion to common shares	(400,000)		(350)		(50)
Balance June 30, 2021	**654,000**	**$**	**576**	**$**	**82**

The Class A preferred shares were issued in fiscal 2016 under the provisions of the Small Business Venture Capital Act (British Columbia). Pursuant to these provisions, the shares were subject to a hold period of five years from the date of issuance, which expired on March 7, 2021. The Company has the option to retract the shares at a value of $1.00, $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 three 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 remaining Class A preferred shares are converted, the Company would need to issue 218,000 (2020 – 351,333) common shares.

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

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

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

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 the year ended June 30, 2021, 400,000 preferred shares were converted by shareholders into 133,332 common shares of the Company (2020 – nil).

During the year ended June 30, 2021, the Company paid a dividend of $0.07 per Class A preferred share which amounted to $67 (2020 - $0.07 per preferred share which amounted to $74).

13. SHARE CAPITAL

Authorized
Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

Common shares
Issued:

	Number of shares		Amount
Balance June 30, 2019	**46,631,475**	**$**	**62,517**
Exercise of options	40,000		117
Balance June 30, 2020	**46,671,475**	**$**	**62,634**
Shares issued as management compensation	55,698		114
Conversion of redeemable preferred shares (note 12)	133,332		400
Exercise of options	1,597,500		3,538
Exercise of warrants	337,342		842
Balance June 30, 2021	**48,795,347**	**$**	**67,528**

During the year ended June 30, 2021, the Company issued 55,698 common shares to the Chief Executive Officer ("CEO") at a deemed price of $2.045 per share. The issuance reflects partial consideration for a performance bonus earned during the fiscal year ended June 30, 2020, in accordance with the terms of the CEO's employment agreement.

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

Earnings (loss) per share

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

	Year ended June 30, 2021	2020
Net income from continuing operations	$ 5,690	$ 4,131
Dividend expense	67	74
Diluted net income from continuing operations	$ 5,757	$ 4,205
Basic weighted average number of common	47,990,916	46,658,708
Diluted weighted average number of common	50,871,666	50,082,800
Basic net income per share – continuing	**$ 0.119**	**$ 0.089**
Diluted net income per share – continuing	**$ 0.113**	**$ 0.084**
Income (loss) from discontinued operation	$ 47	$ (1,088)
Basic income (loss) per share – discontinued operation	**$ 0.001**	**$ (0.023)**
Diluted income (loss) per share – discontinued operation	**$ 0.001**	**$ (0.023)**

Warrants

The following table summarizes the share purchase warrants outstanding:

	Number of warrants	Weighted average exercise price
Balance, June 30, 2019 and 2020	337,342	$ 2.00
Exercised	(337,342)	(2.00)
Balance June 30, 2021	**-**	**$ -**

During the year ended June 30, 2021, 337,342 warrants were exercised for proceeds of $674. An amount of $168 was transferred from the warrant reserve to common shares.

During the year ended June 30, 2020, no warrants were issued or exercised.

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.

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

The following table summarizes the changes in stock options outstanding:

	Number of options	Weighted average exercise price
Balance June 30, 2019	4,556,000	$ 1.82
Issued	250,000	1.32
Exercised	(40,000)	0.50
Forfeited	(90,000)	2.00
Expired	(60,000)	3.20
Balance June 30, 2020	**4,616,000**	**1.78**
Issued	1,153,000	3.44
Exercised	(1,597,500)	1.45
Forfeited	(58,750)	2.00
Balance June 30, 2021	**4,112,750**	**$ 2.36**

During the year ended June 30, 2021, the Company granted the following options to acquire shares of its common stock. All options have a seven-year term and vest 25% immediately with the remaining 75% vesting one-third over each anniversary date.

- 360,000 stock options to employees at an exercise price of $3.00 per share;
- 525,000 stock options to employees at an exercise price of $3.07 per share;
- 40,000 stock options to a director at an exercise price of $3.95 per share; and
- 228,000 stock options to employees at an exercise price of $4.90 per share.

During the year ended June 30, 2020, the Company granted options to acquire 250,000 shares of its common stock to a director. The options have an exercise price of $1.32 per share, a seven-year term and vest 25% immediately with the remaining 75% vesting one-third over each anniversary date.

During the year ended June 30, 2021, 1,597,500 stock options were exercised for proceeds of $2,308. An amount of $1,230 was transferred from contributed surplus to common shares.

During the year ended June 30, 2020, 40,000 stock options were exercised at a price of $0.50 per option for gross proceeds of $20. An amount of $97 was transferred from contributed surplus to common shares.

The weighted average grant date value of stock options and assumptions using the Black-Scholes option pricing model for the year ended June 30, 2021 and 2020 are as follows:

	2021	2020
Share price on date of grant	$3.00 - $4.90	$1.32
Weighted average grant date value	$1.76	$0.65
Interest rate	0.53% - 1.14%	1.60%
Expected life	7 years	7 years
Volatility	50.77% - 51.32%	46.16%
Exercise price	$3.00 - $4.90	$1.32

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

The following table summarizes the stock options outstanding at June 30, 2021:

Exercise price	Number of options	Expiry date	Weighted average remaining contractual life (years)	Weighted average exercise price ($ per share)	Number of options exercisable	Weighted average exercise price ($ per share)
$ 0.50	30,000	Mar 2026	4.69	$ 0.50	30,000	$ 0.50
$ 1.32	250,000	Dec 2026	5.45	1.32	187,500	1.32
$ 2.00	2,614,750	Nov 2021 to Mar 2026	3.89	2.00	2,002,000	2.00
$ 3.00	360,000	Dec 2027	6.44	3.00	180,000	3.00
$ 3.07	525,000	Jan 2028	6.53	3.07	131,250	3.07
$ 3.20	65,000	Mar 2028	6.71	3.20	65,000	3.20
$ 3.95	40,000	Mar 2028	6.68	3.95	10,000	3.95
$ 4.90	228,000	May 2028	6.91	4.90	57,000	4.90
	4,112,750		**4.77**	**$ 2.36**	**2,662,750**	**$ 2.17**

During the year ended June 30, 2021, the Company recorded share-based compensation expense of $1,168 (2020 - $683).

Refer to note 24 for stock options exercised subsequent to June 30, 2021.

14. GOVERNMENT FINANCING AND ASSISTANCE

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

	2021	2020
Non-repayable contributions from license fee programs	10,240	8,129
Tax credits relating to production activities	45,322	36,510
	$ 55,562	**$ 44,639**

During the year ended June 30, 2021, investment in content was reduced by $31,986 and direct operating expenses were reduced by $23,576 (2020 - $26,639 and $18,000, respectively).

During the year ended June 30, 2021, the Company received $28 in COVID-19 related government assistance required to be used towards eligible expenditures (2020 - $800). As at June 30, 2021, $811 of the total amounts received in fiscal 2021 and fiscal 2020 have been transferred to investment in content to be applied against eligible expenditures and $17 has been classified as an accrued liability (2020 - nil and $800, respectively).

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

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

15. REVENUE

The following table presents components of revenue:

	2021	2020
Production services	$ 77,207	$ 47,417
Licensing and distribution	34,038	33,816
Other	274	56
	$ 111,519	**$ 81,289**

The Company had certain customers whose revenue individually represented 10% or more of the Company's total revenue from contracts with customers. For the year ended June 30, 2021, two customers accounted for 42% of this revenue (2020 – three customers accounted for 49% of revenue).

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

	2021	2020
Canada	$ 44,180	$ 36,977
U.S.	60,148	31,398
U.K.	24	1,739
Denmark	2,857	6,510
Republic of Ireland	4,304	2,862
China	-	1,414
France	-	266
Other countries	6	123
	$ 111,519	**$ 81,289**

As at June 30, 2021, the following non-current assets were attributable to the Company's entities based in the U.S.: $129 of long-term trade receivables and other, $69 of deferred tax assets and $5,278 of property and equipment (June 30, 2020 - nil, nil, and $5,902, respectively). All other non-current assets were attributable to the Company's entities based in Canada.

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

	2021	2020
Opening balance	$ 14,999	$ 15,389
Revenue recognized that was included in the deferred revenue balance at the beginning of the year	(13,617)	(15,339)
Increases due to cash received, excluding amounts recognized as revenue during the year	19,816	15,075
Deferred revenue classified as held for sale	-	(126)
Ending balance	**$ 21,198**	**$ 14,999**

Transaction price allocated to remaining performance obligations

Revenue allocated to remaining performance obligations represents contracted revenue that has not been recognized on contracts with original expected durations of one year or more as at June 30, 2021. Revenue to be allocated to these remaining performance obligations comprises deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. As at June 30, 2021, contract revenue related to these remaining performance obligations with an original expected duration of one year or more was $170,113 (June 30, 2020 - $82,637). The Company expects to recognize 100% of the revenue related to these unfulfilled performance obligations over the next 24 months.

(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:

		2021		2020
Current provision	$	2,298	$	1,480
Deferred expense		233		103
Net income tax expense	**$**	**2,531**	**$**	**1,583**

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

		2021		2020
Net income from continuing operations before income taxes	$	8,221	$	5,714
Net income (loss) from discontinued operation before income taxes		47		(1,088)
Net income before income taxes		8,268		4,626
Combine Federal and British Columbia Provincial tax rates		27.00%		27.00%
Expected income tax expense		2,232		1,249
Effect on income taxes of:				
Permanent differences		54		268
Change in tax rates		23		2
Change in deferred tax assets not recognized		270		126
Other		(48)		(62)
Income tax expense	**$**	**2,531**	**$**	**1,583**

For the year ended June 30, 2021, the Company's blended federal and provincial tax rate is 27%.

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

		Intangible assets		Investment in content		ROU assets		Unused tax loss		Financing costs		Other		Total
Balance June 30, 2019	$	(401)	$	1,076		-		1,206		339		(537)		1,683
Credit (charge) to income		73		(753)		171		5		(78)		478		(104)
Balance June 30, 2020		**(328)**		**323**		**171**		**1,211**		**261**		**(59)**		**1,579**
Credit (charge) to income		73		832		166		(98)		(91)		(1,115)		(233)
Balance June 30, 2021	**$**	**(255)**	**$**	**1,155**	**$**	**337**	**$**	**1,113**	**$**	**170**	**$**	**(1,174)**	**$**	**1,346**

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

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

		Intangible assets		Investment in content		ROU assets		Unused tax loss		Financing costs		Other		Total
Deferred tax assets	$	-	$	5,577	$	337	$	1,113	$	170	$	674	$	7,871
Deferred tax liabilities		(255)		(4,422)		-		-		-		(1,848)		(6,525)
Total	**$**	**(255)**	**$**	**1,155**	**$**	**337**	**$**	**1,113**	**$**	**170**	$	**(1,174)**	**$**	**1,346**

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

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

		2021		**2020**
Non-capital losses	$	488	$	488
Capital loss on disposition of investment		1,049		779
Other		57		57
Total assets not recognized	**$**	**1,594**	**$**	**1,324**

As at June 30, 2021, the Company has non-capital loss carryforwards of $5,947 (2020 - $5,311), which are available to offset future taxable income. These non-capital loss carryforwards expire between fiscal 2031 and 2041.

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	Amortized cost	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Interim production financing	Amortized cost	Amortized cost
Redeemable preferred shares	Amortized cost	Amortized cost

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

The categories of the fair value hierarchy that reflect the inputs to valuation techniques used to measure fair value are as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 - Inputs for the asset or liability based on unobservable market data.

The Company's cash and cash equivalents are transacted in active markets and have a hierarchy of Level 1. The carrying amounts reported on the consolidated financial statements for cash and cash equivalents, trade receivables and accounts payable and accrued liabilities approximate their fair values due to their immediate or short-term nature and are classified as Level 2. The carrying value of interim production financing approximates its fair value as the interim production financing and debt bear interest at rates that fluctuate with market rates and are classified as Level 2.

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

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

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

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

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

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

The Company had certain customers whose amounts receivable individually represented 10% or more of the Company's total trade receivables of $15,594. As at June 30, 2021, two customers accounted for 64% of these receivables (2020 – two customers accounted for 71% of trade receivables).

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, 2021.

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

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

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

	Less than 1 year	1 to 5 years	Greater than 5 years	Total
Accounts payable and accrued liabilities	$ 8,400	$ -	$ -	$ 8,400
Income taxes payable	1,649	-	-	1,649
Interim production financing	32,845	-	-	32,845
Deferred revenue	21,198	-	-	21,198
Obligations under leases	4,718	9,307	10,996	25,021
Redeemable preferred shares	700	229		929
	$ 69,510	**$ 9,536**	**$ 10,996**	**$ 90,042**

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 $376 change to net earnings for the year ended June 30, 2021 (2020 - $435). The Company has no interest rate hedges or swaps outstanding at June 30, 2021.

ii. Foreign currency exchange risk

Foreign currency exchange risk is the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Company's activities which expose it to currency risk involve the holding of foreign currencies as well as earning revenues and incurring expenses that are denominated in foreign currencies. The Company has engaged in certain foreign exchange hedging activities (foreign contracts on foreign currency client payments) and 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, 2021, revenue denominated in US dollars accounted for 46% (2020 - 38%) of total revenue, revenue denominated in AUD dollars accounted for 3% (2020 - 3%) of total revenue and revenue denominated in GBP accounted for 0% (2020 – 2%) of total revenue. As at June 30, 2021, a 5% fluctuation in the US dollar exchange rate would have an impact of approximately $1,569 (2020 - $779) on net earnings, a 5% fluctuation in the AUD dollar exchange rate would have an impact of approximately $166 (2020 - $139) on net earnings and a 5% fluctuation in the GBP exchange rate would have an impact of approximately $1 (2020 - $50) on net earnings.

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 its amounts receivable denominated in AUD dollars. A 5% fluctuation in the US dollar closing rate would result in a change to net earnings for the year ended June 30, 2021 of approximately $429 (2020 - $178) and a 5% fluctuation in the AUD dollar closing rate would result in a change to net earnings for the year ended June 30, 2021 of approximately $42 (2020 - 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 and cash equivalents.

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 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, 2020.

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

19. RELATED PARTY TRANSACTIONS

		2021		2020
Dividends[1]	$	4	$	8
Consulting fees[2]		287		446
Composer fees[3]		88		-
Revenue[4]		-		(651)
Other		29		53
	$	**408**	**$**	**(144)**

[1] Paid to the former President.
[2] Paid to companies owned by directors.
[3] Paid to a company owned by the former President.
[4] Received from a company owned by the former President.

At June 30, 2021, nil (2020 - $652) was due from a company owned by the former President, $14 (2020 – $19) was payable to companies owned by directors and $606 (2020 - $724) was payable to a director and the CEO.

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

Key Management Personnel Compensation

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

		2021		2020
Short-term benefits	$	2,259	$	3,208
Share-based payments (note 13)		200		368
	$	**2,459**	**$**	**3,576**

20. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has commitments related to lease obligations which are disclosed in note 11.

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.

(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 statement of cash flows:

		2021		2020
Operating activities				
Changes in non-cash working capital				
Accounts receivable	$	(3,556)	$	2,035
Income taxes recoverable		(319)		(861)
Accounts payable and accrued liabilities		121		508
Income taxes payable		518		45
Deferred revenue		6,198		(266)
	$	**2,962**	**$**	**1,461**

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

		Cash flows from (used in)		Non-cash changes		
	Balance June 30, 2020	**Proceeds**	**Repayments**	**Disposal**	**Foreign exchange movements**	**Balance June 30, 2021**
Interim production financing	$ 42,420	$ 54,447	$ (63,069)	$ -	$ (953)	**$ 32,845**
Lease obligations – current[1]	$ 5,419	$ 2,916	$ (3,498)	$ (80)	$ (39)	**$ 4,718**
Lease obligations – long-term[1]	$ 21,443	$ 2,915	$ (3,324)	$ (291)	$ (440)	**$ 20,303**

[1] Included within proceeds of obligations under leases is $4,799 of non-cash property and equipment additions related to leases. Included within repayments of obligations under leases is $90 in non-cash payments related to a sublease. Total lease payments relating to non-finance leases was $5,288.

Additional supplemental cash flow information:

		2021		2020
Interest and debt service costs paid[1]	$	1,694	$	1,832
Income taxes paid	$	1,544	$	2,290

[1] Included in interest and debt service costs paid is interest costs capitalized to the cost of film and television productions (note 6).

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

22. EXPENSES BY NATURE

The following sets out the expenses by nature:

	2021	2020
Direct operating		
Direct costs	$ 56,868	$ 35,133
Amortization of investment in content	19,173	16,172
Development expenses and other	593	114
	76,634	51,419
General and administrative		
Salaries, employee benefits and contractors	11,306	9,354
Office and administrative	3,014	3,177
Legal and professional	919	728
	15,239	13,259
Amortization of property and equipment and intangible assets		
Amortization of property and equipment and intangible assets	1,626	1,834
Amortization of ROU assets[1]	6,695	5,796
	8,321	7,630
Distribution and marketing	847	1,410
Share-based compensation	1,168	683
Finance costs, net	470	1,240
Foreign exchange loss (gain)	163	(66)
Gain on disposal of ROU asset	(277)	-
Loss on disposal of property and equipment	733	-
	$ 103,298	**$ 75,575**

[1] Amortization of ROU assets relating to non-finance leases for the year ended June 30, 2021 was $4,573 (2020 – $3,393).

23. FINANCE COSTS, NET

	2021	2020
Dividends on redeemable preferred shares	$ 67	$ 74
Interest on loans	184	651
Interest on lease obligations[1]	1,488	1,095
Interest income	(148)	(580)
Interest income on lease receivable	(49)	-
Realized foreign exchange gain on loans	(2)	-
Unrealized foreign exchange gain on loans	(1,070)	-
	$ 470	**$ 1,240**

[1] Included in interest on lease obligations for the year ended June 30, 2021 is interest related to non-finance leases of $1,379 (2020 - $913).

24. SUBSEQUENT EVENTS

On July 19, 2021, the Company entered into a rental agreement for studio and office space for its corporate office and its film and television productions. The lease has an occupancy date starting on August 1, 2021 with an average monthly base rent of approximately $10. The total base rent payable over the lease period is approximately $116.

On September 17, 2021, the Company entered into a long-term rental agreement for studio and office space for its corporate office and its film and television productions. The lease has an occupancy date starting on May 1, 2022 with an average monthly base rent of approximately $31. The total base rent payable over the lease period is approximately $3,738.

Subsequent to June 30, 2021, the following stock options were exercised:

- 7,500 stock options were exercised at a price of $2.00 for gross proceeds of $15.
- 20,000 stock options were exercised at a price of $0.50 for gross proceeds of $10.
- 10,000 stock options were exercised at a price of $2.00 for gross proceeds of $20.
- 7,500 stock options were exercised at a price of $2.00 for gross proceeds of $15.
- 60,000 stock options were exercised at a price of $2.00 for gross proceeds of $120.
- 10,000 stock options were exercised at a price of $2.00 for gross proceeds of $20.
- 6,250 stock options were exercised at a price of $2.00 for gross proceeds of $13.
- 15,000 stock options were exercised at a price of $3.20 for gross proceeds of $48.