

Management's Discussion and Analysis of

NETWORK MEDIA GROUP INC.

For the three month period ended February 29, 2024 and February 28, 2023

N E T W O R K

www.networkentertainment.ca

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion & Analysis (“MD&A”) prepared as of April 26, 2024, should be read in conjunction with Network Media Group Inc.’s (the “Company” or “Network”) unaudited condensed interim consolidated financial statements as of February 29, 2024 and its audited consolidated financial statements and accompanying notes for the years ended November 30, 2023 and 2022. The Company reports its financial results in accordance with International Financial Reporting Standards (“IFRS”) in Canadian dollars.

Network is a public company incorporated under the *Business Corporations Act* of the Province of British Columbia whose common shares are traded on the TSX Venture Exchange (“TSXV”) (symbol “NTE.V”) and on the OTCQB Venture Market (symbol “NTEWF”). Additional information relating to the Company can be found on SEDAR at www.sedarplus.ca.

Forward-looking Statements

To the extent any statements made in this MD&A contain information that is not historical, these statements constitute “forward-looking information” under applicable Canadian securities laws and are based on expectations, estimates and projections. These statements are necessarily based upon management’s perceptions, beliefs, assumptions and expectations of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management of the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies that could result in the forward-looking information ultimately, perhaps materially, being incorrect. Words such as “expects”, “anticipates”, “intends”, “plans”, “estimates”, “believes”, “may”, and variations of such words and similar expressions, are intended to identify such forward-looking information.

All forward-looking information in this MD&A involves known and unknown risks, uncertainties and other factors that are beyond the control of the Company and may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such risk factors include, but are not limited to: the Company’s ability to attract foreign and domestic broadcasters and distributors for its programs, whose purchase/licensing patterns and own consumer markets may change, having a material impact on the Company’s revenues and future business opportunities; audience acceptance of the Company’s programs; the Company’s ability to recoup production costs; the availability of tax credits; conditions in the entertainment industry generally; sales cycles, consumer demand and the timing of third party broadcaster and distributor licensing decisions; failure by third party broadcasters and distributors to honour the terms of contracts/licenses entered into with the Company, or comply with the payment terms contained in those contracts/licenses; the timing of when the proceeds of broadcaster and distributor licenses meet the Company’s revenue recognition criteria; disruption of the timing for delivery of the Company’s products to its broadcasters and distributors for reasons including, but not limited to, production schedule changes, availability of production crew, travel disruption and personal schedules of key talent, all of which can prolong delivery times and delay the timing of release of the Company’s products to the public and ultimately delay receipt of licensing and broadcasting fees; fluctuations in currency exchange rates; changes in accounting standards; changes in technology and capital expenditure requirements; acquisitions that Network may undertake in the future; and changes in laws or regulations applicable to the Company’s business, or the interpretation or application of those laws and regulations. These risk factors are not intended to represent a complete list of the factors that could affect the Company and the reader is cautioned to consider these and other factors, uncertainties, and potential events carefully and not to put undue reliance on forward-looking information. There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could vary or differ materially from those anticipated in such information.

Forward-looking information is provided for the purpose of giving readers more insight into the Company’s future financial and operational results, based on management’s expectations. Readers are cautioned that the information may not be appropriate for other purposes. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, or to explain any

material difference between subsequent actual events and such forward-looking information, except to the extent required by applicable law. Material assumptions within the forward-looking information are in the section ***Revenue Recognition and Forward-Looking Statements***.

Readers are also directed to review the “**Risks and Uncertainties**” section of this MD&A below.

Overview and Summary of Results

Network’s primary business entails developing, producing, distributing, and exploiting its film and television properties, as well as providing production services to third parties.

During the three month period ended February 29, 2024, the Company continued production on six feature length documentaries and commenced production a new 4-part series documentary.

For the three month period ended February 29, 2024, as compared to the three month period ended February 28, 2023, the Company realized the following:

- Revenues of \$2.1M (2023 – \$1.8M)
- Net and comprehensive loss of \$0.6M (2023 – \$0.7M):
- Adjusted EBITDA loss of \$0.3M (2023 – \$0.4M)
- Loss per share of \$0.03 (2023 – loss of \$0.04 per share)
- Adjusted EBITDA loss per share of \$0.02 (2023 – loss of \$0.02 per share)
- Backlog of \$20.2 (November 30, 2023 – \$7.4M)

Operations & Outlook

Network builds its production slate in two primary forms: documentary films and docu-series. The Company works closely with broadcasters, distributors, and exhibitors to maximize the distribution and financial return of its productions. Produced for theatrical, television, online, and home entertainment distribution and exhibition, these productions are the foundation of Network's brand and statement of quality to the marketplace.

During the current quarter, continued production on six feature length documentaries and a 4-part series documentary.

Network continues to develop its Non-Fungible Token (“NFT”) division. Network NFT Studios is an extension of the core business and creates partnerships with top creators from film, music, art, fashion, and sports to create leading edge Web 3.0 experiences and limited-edition collections. Consumers gain a deeper connection to their favorite artists, icons, and personalities and unlock exclusive access, benefits and content beyond mainstream productions and social media.

Financing

During the three month period ended February 29, 2024, the Company’s operations were financed primarily by cash generated from operating activities, production financing and bank advances.

The Company finances its individual productions by way of advances from funding partners (broadcasters, distributors, and streaming services), as well as by securing interim production loans. During the three month period ended February 29, 2024, the Company received \$0.4M (February 28, 2023 – \$0.6M) of production financing which are secured by future contracted funding from broadcasters and distributors, as well as government labour tax credits receivable. In addition, operating activities generated \$1.8M (February 28, 2023 – \$0.3M) of cash.

Revenue Recognition and Forward-Looking Statements

The Company follows a revenue recognition policy that is standard to the film industry (Note 3 of the audited consolidated financial statements for the years ended November 30, 2023 and 2022). Under this policy the Company does not recognize revenues for a film or episode where the copyright is owned by the Company (referred to as proprietary productions) until all of the following events have occurred:

1. A buyer has signed an agreement to purchase the property;
2. The property is in finished and final form;
3. Network has shipped the property to the buyer as required under the purchase agreement;
4. The price agreed between the buyer and Network can be determined as a final amount;
5. It is reasonable for Network to conclude it will receive the amount that the buyer has agreed to pay, and
6. The later of the license term commencing and satisfaction of the delivery conditions of the purchase agreement between Network and the buyer.

The expenses and revenues attributable to any specific property are deferred until all of the above factors are satisfied.

If the production is a “work-for-hire” scenario where the Company does not own the copyright (referred to as service work), then the Company records the revenue where performance obligations are satisfied over time are recognized based upon the proportion of costs incurred in the current year to total expected costs. In this scenario, the revenue is calculated based upon the proportion of costs incurred up to the current period to the property’s total cost. When it is expected that total costs will exceed revenue the expected loss is recognized immediately in profit or loss.

Forward-looking revenue

The performance (or period to period earnings comparisons) of entertainment companies like Network can often be challenging for readers. As such, the Company feels it is necessary to provide some additional information so that a meaningful assessment of the Company’s potential future financial performance and earnings is possible.

Contracts and funding for a film or television property are secured well in advance of commencement of production of the property. Practically speaking, the only significant element of uncertainty is the specific accounting period in which revenue earned by the Company can be recognized due to the requirements of its revenue recognition policy as described above. Often delivery schedules are changed in mid-production and at the discretion of the broadcaster, which can often delay the recognition of the property’s associated revenue. Readers should be cautioned that such adjustments can be material in nature given that the Company is not able to record any revenue until the property is delivered.

The Company has certain properties currently in production which have been sold to buyers under binding purchase agreements. Deferred revenue totaling approximately \$2.9M as at February 29, 2024 (November 30, 2023 – \$2.3M), represents funding advances received on these properties. Below is an estimate of the ultimate gross revenue and the expected period of recognition for these properties:

Contracted Future Production Revenues	\$ Millions
Deferred revenue as at February 29, 2024	\$ 2.9
Contracted future revenue	17.3
Total expected revenue - contracted	<u>\$ 20.2</u>
Revenues expected within 6 months	\$ 10.9
Revenues expected within 7 to 12 months	\$ 8.6
Revenues beyond 12 months	\$ 0.7

As stated above, under IFRS the Company is not able to recognize revenue until all of the above-mentioned conditions have been met. As at April 26, 2024, Network has contracts for \$20.2M that have yet to be recorded as revenue but are expected to be received and recognized as revenue within the periods noted above.

The above statements regarding the Company’s anticipated, or contracted for, future revenue constitutes “forward-looking information” under applicable Canadian securities laws – readers are directed to refer to the Forward-Looking Statement disclosures at the beginning of this MD&A. The above calculations are based on expectations, estimates and projections as of the date of this MD&A and are necessarily based upon assumptions and expectations regarding future production revenues and partial revenues generated from properties under contract. Estimates of future revenues are based on the terms of contracts entered into. Such assumptions and expectations include, but are not limited to the following: the terms of the contracts will not be altered; delivery of the Company’s products will occur as scheduled; the purchasing party will make payment as and when due under the contract, and will comply with all payment terms; the US-Canadian currency exchange rates remain stable (assumed to be 1.35 USD-CDN for the purposes of the estimates made herein); no unforeseen event interrupts business in the ordinary course; and the purchasing party will pay, or has paid, Network on a pro-rata to percent completed for a film or episode that is in progress. Should conditions change, the above revenue estimates may not be met and actual results may differ, perhaps materially.

Summary Consolidated Financial Information

The summary consolidated financial information set out below has been prepared in accordance with IFRS and is derived from the Company’s unaudited condensed interim consolidated financial statements and accompanying notes for the three month period ended February 29, 2024, and can be found at www.sedarplus.ca.

Consolidated Summary of Financial Position	As at February 29, 2024	As at November 30, 2023
Cash	\$ 3,439,840	\$ 2,275,164
Current assets	6,944,287	7,400,173
Investment in film and television properties	12,161,643	11,710,187
Total assets	20,074,055	19,827,948
Current liabilities	9,488,914	8,839,112
Total liabilities	10,083,410	9,265,135
Shareholders' equity	9,990,645	10,562,813
Working capital deficit	\$ (2,544,627)	\$ (1,438,939)

Consolidated Statements of Net and Comprehensive Loss
Expressed in Canadian dollars (unaudited)

	Three month period ended	
	February 29, 2024	February 28, 2023
Total revenue	\$ 2,128,816	\$ 1,828,115
Production costs	1,872,187	564,083
Amortization of investment in film and television properties	383,558	1,308,491
Amortization of property, equipment and right of use assets	119,722	83,981
General and administrative	217,764	359,910
Impairment of investment in film and television properties	-	6,302
Selling and distribution	10,275	60,550
Share-based payments	33,803	86,180
Foreign exchange loss	35,148	75,746
	2,672,457	2,545,243
Loss before other items	(543,641)	(717,128)
Other income	-	(28,021)
Loss on lease modifications	7,779	-
Financing expense, net	54,551	52,266
Net and comprehensive loss for the period	\$ (605,971)	\$ (741,373)
Loss per share		
- basic	\$ (0.03)	\$ (0.04)
- diluted	\$ (0.03)	\$ (0.04)
Weighted average number of shares outstanding		
- basic	17,824,707	17,824,707
- diluted	17,824,707	17,824,707
Adjusted EBITDA	\$ (362,747)	\$ (436,898)
Adjusted EBITDA per share	\$ (0.02)	\$ (0.02)

Non-IFRS Measures

In addition to results reported in accordance with IFRS, the Company reports using certain non-IFRS financial measures as supplemental indicators of the Company's financial and operating performance. These non-IFRS financial measures include EBITDA and Adjusted EBITDA. The Company believes these supplemental financial measures reflect the Company's on-going business in a manner that assist the reader's meaningful period-to-period comparisons and analysis of trends in its business.

"Adjusted EBITDA" is calculated based on EBITDA (known as earnings/loss before interest, taxes, depreciation and amortization) plus share-based payments expense, finance costs (income), foreign exchange gain (loss) and losses and other items of an unusual nature that do not reflect ongoing operations.

EBITDA and Adjusted EBITDA are commonly reported and widely used by investors and lenders as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. EBITDA and Adjusted EBITDA are not an earnings measure recognized by IFRS and therefore do not have a standardized meaning prescribed by IFRS. Therefore, EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Below is a table detailing the adjustments to earnings made by the Company to calculate Adjusted EBITDA:

	Three month period ended	
	February 29, 2024	February 28, 2023
Loss for the period	\$ (605,971)	\$ (741,373)
<u>Adjustments</u>		
Amortization of property, equipment and right of use assets	119,722	83,981
Impairment of investment in film and television properties	-	6,302
Financing expense, net	54,551	52,266
Share-based payments	33,803	86,180
Foreign exchange loss	35,148	75,746
Adjusted EBITDA	\$ (362,747)	\$ (436,898)
Adjusted EBITDA per share	\$ (0.02)	\$ (0.02)

Overall Financial Position – First Quarter Fiscal 2024

Net and comprehensive loss decreased by \$135,402 to a loss of \$605,971 for the three month period ended February 29, 2024, as compared to a loss of \$741,373 in Q1 fiscal 2023.

Total assets increased by \$0.2M during the period due to increase in cash offset by receipt of tax credits receivable.

The \$0.8M increase in total liabilities was mainly due to increase in debts offset by repayment of production financing.

A more detailed analysis of the other components of profits and loss is provided below under the title *Results of Operations – Quarter ended February 29, 2024 compared to the quarter ended February 28, 2023*.

Results of Operations

Quarter ended February 29, 2024 compared to the quarter ended February 28, 2023

The following discussion describes the significant changes in the consolidated results from operations:

Revenue

Revenue increased by \$300,701 from \$1,828,115 in 2023 to \$2,128,816 in 2024.

The detailed breakdown of revenues is as follows:

- Production revenue was \$Nil in 2024 as compared to \$1,035,850 in 2023. No proprietary projects were delivered during the period.
- Contract production services revenue was \$2,078,209 in 2024 as compared to \$666,313 in 2023 and was due to a larger volume of service projects being worked on during the quarter.
- Distribution revenue was \$50,607 in 2024 as compared to \$125,952 in 2023.

	Three month period ended	
	February 29, 2024	February 28, 2023
Production revenue	\$ -	\$ 1,035,850
Contract production services revenue	2,078,209	666,313
Distribution revenue	50,607	125,952
	<u>\$ 2,128,816</u>	<u>\$ 1,828,115</u>

Additional information about future revenue of the Company can be found at the section *Revenue Recognition and Forward-Looking Statements*.

Production costs

Production costs were \$1,872,187 in 2024 as compared to \$564,083 in 2023 and is associated directly to the amount of service work projects in production during the period.

Amortization of investment in film and television properties

Amortization of investment in film and television properties decreased by \$924,933 from \$1,308,491 in 2023 to \$383,558 in 2024. Please refer to the accounting policies in Note 3 of the audited consolidated financial statements for the years ended November 30, 2023 and 2022 for information on how the amortization of the properties is calculated.

Amortization of property, equipment and right of use assets

Amortization of property, equipment and right of use assets increased by \$35,741 to \$119,722 in 2024 as compared to \$83,981 in 2023. The increase is due to the acquisition of equipment and an office lease during the current period.

General and administrative expenses

General and administrative expenses decreased by \$142,146 from \$359,910 in 2023 to \$217,764 in 2024. The decrease is primarily due to the reduction of salaries and wages during the quarter. A detailed breakdown of the expenses is as follows:

	Three month period ended	
	February 29, 2024	February 28, 2023
Insurance	\$ 10,627	\$ 9,043
Interest and bank charges	15,687	18,563
Office and general	53,243	45,777
Professional fees	30,400	26,987
Salaries and wages	86,741	233,729
Technology and licenses	3,181	4,322
Telecommunications	2,079	3,699
Transfer agent and filing fees	8,386	15,088
Travel	7,420	2,702
	\$ 217,764	\$ 359,910

Impairment of investment in film and television properties

Network recorded impairment of film and television properties of \$nil in 2024 compared to \$6,302 in 2023.

Selling and distribution expenses

Selling and distribution expenses decreased by \$50,275 from \$60,550 in 2023 to \$10,275 in 2024. The amounts in the prior year are attributable to costs associated with the editing and re-licensing of stock footage in relation to the sale of the I Am library to the CW Network.

Share-based compensation

Share-based compensation decreased by \$52,377 from \$86,180 in 2023 to \$33,803 in 2024. The decrease is due to the cancellation of options previously issued, which resulted in a decrease in the number of options that vested during the period.

Foreign exchange loss

Foreign exchange loss decreased by \$40,598 to \$35,148 in 2024 as compared to \$75,746 in 2023. The change is due to the fluctuation of the Canadian dollar against the US dollar throughout the three month period.

Financing expense, net

Total net financing expense marginally increased by \$2,285 from \$52,266 in 2023 to \$54,551 in 2024.

Loss for the period

Net and comprehensive loss for the three month period ended February 29, 2024 was \$605,971 (\$0.03 per share) as compared to loss of \$741,373 (\$0.04 per share) in 2023.

Summary of Quarterly Results

The following table contains a summary of certain unaudited information for each of the eight most recent financial quarters. All periods presented have been prepared in accordance with IFRS.

000's of dollars, except per share figures	Quarter ended							
	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Total revenue	\$ 2,129	\$ 1,394	\$ 2,639	\$ 1,266	\$ 1,828	\$ 1,994	\$ 9,477	\$ 534
Net and comprehensive income (loss)	\$ (606)	\$ 281	\$ 806	\$ (666)	\$ (741)	\$ 181	\$ 2,389	\$ (1,040)
Earnings (loss) per share - basic and diluted	\$ (0.03)	\$ 0.02	\$ 0.05	\$ (0.04)	\$ (0.04)	\$ 0.00	\$ 0.13	\$ (0.06)

The quarterly information is unaudited, but reflects all adjustments of a normal, recurring nature, which are, in our opinion, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons in the financial results are not necessarily meaningful and should not be relied upon as an indication of future performance due to how revenue is recognized in the entertainment industry (see **Seasonality** below).

Liquidity and Capital Resources

Network's liquidity needs are met through a variety of sources. Network generates cash from operations, by borrowing against earned and expected tax credits, through operating lines of credit and through debt and share issuances. The primary uses of cash are operating expenses, capital expenditures, interest and principal payments on current debt, and investment in its film and television properties.

Overall, the Company's cash position increased by approximately \$2.5M as at February 29, 2024. Cash provided by operating activities in the three months ended February 29, 2024, was \$1.8M, compared to \$0.3M in 2023.

Financing activities for the three months ended February 29, 2024 resulted in cash used of \$0.9M compared to cash provided of \$1.8M in 2023. During the three month period, the Company received interim production financing of \$0.4M (2023 – \$0.6M) and repaid \$1.0M (2023 – \$1.0M) of interim production financing. The cycle of incurring interim production financing and repayments thereof is common in the entertainment industry. Chartered banks regularly lend companies such as Network the funding to produce and complete its production through the financing of future contracted payments and tax credits. Upon receipt of these funds, the interim production financing is paid down and any excess funds go into working capital.

Cash provided by investing activities in the three months ended February 29, 2024 was \$0.2M, compared to cash provided of \$1.8M in the prior period. The Company used the cash primarily for its continued development and production of its film and television properties.

Liquidity

The Company manages its capital structure in accordance with financial conditions and timing of various payments from production financings, third party broadcasters and distributors and from government tax credit programs. In order to maintain its capital structure, the Company may elect to issue or repay short-term debt, issue shares or undertake any other activities as deemed appropriate.

As at February 29, 2024, Network had a working capital deficit of \$2.5M compared to \$1.5M as at November 30, 2023. Readers are cautioned to be aware that deferred revenue is recorded by the Company as a current liability, whereas this funding is invested in film and television properties which is a long-term asset, thus creating an inherent working capital deficiency. If readers were to adjust the deficit for the deferred revenue, the Company's working capital deficit would be as follows:

	February 29, 2024	November 30, 2023
Current assets	\$ 6,944,287	\$ 7,400,173
Current liabilities	(9,488,914)	(8,839,112)
Working capital deficit	\$ (2,544,627)	\$ (1,438,939)
Deferred revenue adjustment	2,931,378	575,782
Adjusted working capital (deficit)	\$ 386,751	\$ (863,157)

Network believes that between cash flow generated through operations, the Company's ability to negotiate short-term debt instruments, stock issuances and interim production financing of its proprietary properties, it will generate sufficient liquidity to meet cash requirements for the next 12 months.

Capital Management

The Company's objectives when managing capital are to safeguard its assets, maintain a competitive cost structure, continue as a going concern in order to pursue the development of its film and television properties, and provide a return to its shareholders in the form of capital appreciation. The Company defines capital as the aggregate of its shareholders' equity. Capital as at February 29, 2024 was \$10.0M (November 30, 2023 – \$10.5M).

In order to facilitate management of capital, the Company continues to prepare annual expenditure budgets that are updated as necessary and dependent on various factors, including successful deployment of capital and industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company believes that through operations and production financing of its proprietary properties, it will generate sufficient liquidity to meet cash requirements for the next twelve months.

There were no changes in the Company's approach to capital management during the three month period ended February 29, 2024. The Company is subject to externally imposed capital requirements (Note 22 of the audited consolidated financial statements for the years ended November 30, 2023 and 2022).

Related party transactions

The Company has transacted business in the normal course of operations with related parties and entities over which the related parties' exercise control. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Key management personnel consist of the Board of Directors and the named Officers of the Company, who have authority and responsibility for planning, directing and controlling the activities of the Company. During the three month period ended February 29, 2024, as compared to the three month period ended February 28, 2023, the Company:

- paid or accrued wages to key management personnel in the following manner:
 - Recorded as general and administrative expenses – \$12,000 (2023 – \$7,500);
 - Recorded as investment in film and television properties – \$17,026 (2023 – \$72,160);
 - Recorded as production costs – \$133,169 (2023 – \$80,090)
 - These costs were paid to the following related parties:
 - \$74,500 (2023 – \$62,500) as salaries and wages to the CEO;
 - \$56,250 (2023 – \$56,250) as salaries and wages to the COO, and
 - \$48,166 (2023 – \$41,000) as salaries and wages to a company controlled by the CFO.

- recorded share-based compensation of \$15,120 (2023 – \$45,901) on options that vested during the period, as follows:
 - \$2,245 (2023 – \$9,991) to three Directors;
 - \$1,329 (2023 – \$7,867) to the current and former Chairman of the Board of Directors;
 - \$5,369 (2023 – \$12,883) to the CEO;
 - \$4,495 (2023 – \$10,780) to the COO;
 - \$1,672 (2023 – \$4,303) to the CFO, and
 - \$10 (2023 – \$77) to another related party.

Recorded in accounts payable and accrued liabilities at February 29, 2024 are the following amounts:

- a) \$16,721 (November 30, 2023 – \$16,926) owed to a company controlled by an Officer of the Company. Amounts due to the related party are unsecured, non-interest bearing and due on demand, and

- b) \$47,548 (November 30, 2023 - \$31,342) in yearly fees which has been recorded in production costs in profit and loss and \$20,000 (November 30, 2023 - \$20,000) in executive producer fees, which has been recorded as investment in film and television properties, owed to two Directors of the Company for the provision of services related to Executive Producer Agreements (the “EP Agreements”) entered into on June 7, 2023. As consideration, each of the Directors will receive a yearly fee of \$32,500 and an executive producer fee of \$37,500, which is payable on achieving particular production milestones. All such amounts are due by June 7, 2024 and the EP Agreements are renewable upon mutual option of the parties.

On April 25, 2023, as amended on November 21, 2023, the Company entered into a Promissory Note agreement with certain Directors of the Company for a loan (the “Loan”) of up to \$650,000. The Loan is due on April 30, 2024, bears interest of 12% per annum and is secured by a general security interest over the assets and undertakings of the Company. As consideration for the amendment to the Loan, the Directors will receive a fee of \$32,500, which is due on or before April 30, 2024. As at November 30, 2023, the fee has been recorded in promissory note and as a financing expense in profit or loss and was paid subsequent to the three month period ended February 29, 2024. If the Loan is not repaid by April 30, 2024, the Directors will receive a further \$65,000 as a penalty fee and the Loan will bear interest at a rate of 15% per annum. The Directors of the Company have agreed to a postponement and assignment of claim in favour of the line of credit lender (Note 11 of the unaudited condensed interim consolidated financial statements as of February 29, 2024). As at February 29, 2024 and November 30, 2023, the Company has drawn upon the total Loan of \$650,000 and recorded \$19,447 (February 28, 2023 – \$Nil) (Note 17b) of the unaudited condensed interim consolidated financial statements as of February 29, 2024) in interest expense of which \$12,642 (November 30, 2023 – \$13,036) was accrued for and subsequently paid.

Capital Expenditures

The Company monitors its property and equipment on a continual basis and replenishes on an as needed basis. The Company does not anticipate any significant expenditures on property and equipment in the upcoming year.

Share Issuances

During the three month period ended February 29, 2024, the Company did not issue any common shares.

Options

Pursuant to the Company's equity-settled stock option plan, as last amended on October 11, 2022, the Board of Directors may, from time to time, authorize the granting of options to Directors, employees and consultants of the Company to a maximum of 20% of the outstanding shares of the Company which is limited to a maximum of 3,400,000 options as approved by the shareholders of the Company. Options granted under the plan have contractual option terms not exceeding 10 years and vesting periods as determined by the Company's Board of Directors.

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value at the grant date of the options issued. In all the calculations the annual dividend yield was assumed to be \$Nil, and expected volatility was based on historical volatility of the Company's share price. All other weighted-average assumptions are summarized below:

Grant Date	Options Granted	Exercise Price	Share Price	Annual Volatility Rate	Risk Free Interest Rate	Fair Value at Grant Date	Expected Life
2023	140,000	\$ 0.50	\$ 0.25	96%	3.51%	\$ 0.05	5.0

The Company did not grant any stock options during the three month period ended February 29, 2024.

For the three month period ended February 29, 2024, the Company recognized share-based payments expense in relation to vested stock options of \$33,803 (February 28, 2023 – \$86,180), which is included in profit or loss.

Subsequent to February 29, 2024, the Company amended the terms of 2,706,333 outstanding stock options to an exercise price of \$0.30 per share and an expiration date of April 4, 2029, subject to regulatory and shareholder approval.

Seasonality

Results of operations for any period are dependent on the number and timing of film and television properties delivered, which cannot be predicted with certainty. Consequently, the Company's results from operations may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily correlated with revenue recognition. During the initial license of broadcast rights by the Company, the Company is reliant on the broadcaster's budget and financing cycles as well as delivery schedules. If the license period gets delayed and commences at a later date than originally predicted, the periods in which revenues are recorded may be affected. Readers of the Financial Statements and this MD&A are therefore cautioned about extrapolating the results for quarterly or annual periods in the financial years ended November 30, 2023 and 2022, into quarterly or annual expectations in future years.

Financial Instruments

The fair values of the Company's financial instruments approximate the carrying values, due to their short terms to maturity or attached market rates of interest. The Company has no financial instruments measured at FVTPL.

The fair values of the Company's financial instruments approximate the carrying values, due to their short terms to maturity or attached market rates of interest.

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.

Risks arising from financial instruments

The Company is exposed to various risks related to its financial instruments as follows:

(i) 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. Market risk is comprised of foreign exchange risk, interest rate risk and other price risk. The Company is not exposed to material other price risk.

The Company's exposure to market risk is as follows:

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has not entered into foreign exchange purchase contracts to manage its foreign exchange risk, because, in management's view, the cost of setting up the contracts is in excess of the risks associated with a sudden change in the exchange rates. Management continually monitors the exchange rates and will enter into risk prevention measures when warranted

A five percent fluctuation in the US dollar rate impacting US dollar revenues during the three month period ended February 29, 2024 would result in a \$31,701 (February 28, 2023 – \$34,642) impact to profit or loss.

The Company is also exposed to currency risk on its cash, accounts receivable and accounts payable balances that are denominated in U.S. dollars, being, respectively, \$3,086,511 (November 30, 2023 – \$2,267,315), \$77,279 (November 30, 2023 – \$1,119,405) and \$856,253 (November 30, 2023 – \$722,056).

A five percent fluctuation in the US dollar closing rate at February 29, 2024 would result in a net change to profit or loss of \$115,377 (February 28, 2023 – \$6,338).

The Company's exposure to and management of foreign exchange risk, has not changed materially from that of the prior year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises on interest-bearing financial instruments recognized in the consolidated statement of financial position such as line of credit, interim production financing and debt payable.

If the market interest rates had changed 100 basis points, the Company's cost of capital would have fluctuated by \$50,877 (February 28, 2023 – \$50,495).

The Company's exposure to and management of interest rate risk has not changed materially from that of the prior year.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is subject to credit risk with respect to cash and accounts receivable. The Company's maximum exposure to credit risk at the end of the reporting period is the carrying value of these assets. Substantially all of the Company's customers are in the entertainment industry and are subject to normal industry credit risks. Credit risk is managed through a credit approval process and monitoring procedures, and there are no expected credit losses.

All cash balances are held at a major Canadian banking institution.

As of February 29, 2024, there are \$182,720 (November 30, 2023 – \$363,396) of accounts receivable due over 61 days, but not considered impaired. Refer to Note 3 of the unaudited condensed interim consolidated financial statements as of February 29, 2024 for a breakdown.

The Company's exposure to and management of credit risk has not changed materially from that of the prior year.

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's liquidity needs can be met through a variety of sources. The Company generates cash from operations, by borrowing against earned tax credits through interim production financing, and by issuances of common shares. The Company manages liquidity risk by continuously monitoring actual and forecast cash flows.

The Company will require additional capital in order to meet the payment expectations related to its debts. Accounts payable and accrued liabilities are due on standard commercial terms.

The Company's exposure to and management of liquidity risk has not changed materially from that of the prior year.

Off-Balance Sheet Arrangements

There are no off-balance sheet obligations that are not disclosed in the financial statements.

Outstanding Shares

As at April 26, 2024, the Company had 17,824,707 common shares issued and outstanding, and has 2,706,333 stock options outstanding.

Other

Additional information and other publicly filed documents relating to Network are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedarplus.ca.