

Consolidated Financial Statements of

NETWORK MEDIA GROUP INC.

November 30, 2022 and 2021
(Expressed in Canadian dollars)

N E T W O R K

www.networkmediagroup.ca

March 27, 2023

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements and Management's Discussion and Analysis ("MD&A") of Network Media Group Inc. (the "Company") are the responsibility of management and have been approved by the Audit Committee of the Board of Directors (the "Board"). The Board is responsible for ensuring that management fulfils its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements and MD&A. The Board carries out this responsibility through its Audit Committee. The Audit Committee reviews the Company's consolidated financial statements and MD&A and recommends their approval to the Board of Directors.

The Audit Committee is appointed by the Board and the majority of its members are independent directors. It meets with the Company's management and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the consolidated financial statements, management must make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

Baker Tilly WM LLP, appointed as the Company's auditors by the shareholders, have audited these consolidated financial statements and their report follows.

(signed) "Derik Murray"
Chief Executive Officer
Vancouver, BC

(signed) "Darren Battersby"
Chief Financial Officer
Vancouver, BC

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Network Media Group Inc.:

Opinion

We have audited the consolidated financial statements of Network Media Group Inc. and its subsidiaries (together the “Company”), which comprise the consolidated statements of financial position as at November 30, 2022 and 2021, and the consolidated statements of net and comprehensive income (loss), consolidated statements of changes in shareholders’ equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at November 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describes the events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management’s Discussion and Analysis filed with the relevant Canadian securities commissions.

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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indications that the other information 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 in this auditor’s report. 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 Graeme L. Cocke.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.

March 27, 2023

NETWORK MEDIA GROUP INC.
Consolidated Statements of Financial Position
As at November 30, 2022 and November 30, 2021
Expressed in Canadian dollars

	Note	November 30, 2022	November 30, 2021
ASSETS			
Current			
Cash		\$ 708,287	\$ 2,788,730
Accounts receivable	4	1,125,581	291,663
Tax credits receivable		4,398,650	1,614,700
Prepaid expenses and deposits	20	67,076	52,243
		6,299,594	4,747,336
Tax credits receivable		1,667,012	2,090,706
Accounts receivable	4	130,000	-
Property, equipment and right of use assets	5	347,514	677,163
Intangible asset	6	400,000	-
Investment in film and television properties	7, 16, 20	11,714,410	11,021,091
Total Assets		\$ 20,558,530	\$ 18,536,296
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Line of credit	8	\$ 185,000	\$ 290,000
Accounts payable and accrued liabilities	6, 13, 20	4,884,303	2,075,582
Interim production financing	9	2,926,897	509,588
Deferred revenue	10	575,782	4,561,327
Current portion of debt payable	14	300,000	-
Current lease obligations	11	152,121	316,567
		9,024,103	7,753,064
Accounts payable	6	150,000	-
Debt payable	14	795,000	1,177,000
Lease obligations	11	6,316	151,315
Total Liabilities		9,975,419	9,081,379
Shareholders' Equity			
Share capital	12	12,927,976	12,927,976
Share-based payment reserve	12(c)	1,164,210	1,054,137
Deficit		(3,509,075)	(4,527,196)
Total Shareholders' Equity		10,583,111	9,454,917
Total Liabilities and Shareholders' Equity		\$ 20,558,530	\$ 18,536,296

Nature of operations and going concern (Note 1)
Subsequent events (Note 25)

Approved on behalf of the Board of Directors:

“Paul Gertz”

Paul Gertz, Director

“Derik Murray”

Derik Murray, Director

The accompanying notes are an integral part of these consolidated financial statements.

NETWORK MEDIA GROUP INC.
Consolidated Statements of Net and Comprehensive Income (Loss)
For the years ended November 30, 2022 and 2021
Expressed in Canadian dollars

	Note	Year ended November 30, 2022	November 30, 2021
Total revenue	21	\$ 12,433,913	\$ 3,534,288
Production costs	15(a), 16, 20	1,998,660	1,823,800
Amortization of film and television properties	7	7,016,264	2,756,235
Amortization of property, equipment and right of use assets	5	377,068	529,481
General and administrative	15(a), 20, 22	1,540,340	1,063,756
Impairment of investment in film and television properties	7	87,167	359,993
Selling and distribution		137,439	13,215
Share-based compensation	12(c), 20	530,815	490,717
Foreign exchange loss (gain)		110,692	(8,346)
Write-off of accounts payable	13	(54,613)	(753,670)
		11,743,832	6,275,181
Income (loss) before other items		690,081	(2,740,893)
Other income		(44,232)	(263,236)
Financing expense, net	15(b)	132,329	101,271
Income (loss) before income taxes		601,984	(2,578,928)
Income tax expense (recovery)		4,605	(82,600)
Net and comprehensive income (loss) for the year		\$ 597,379	\$ (2,496,328)
Income (loss) per share			
- basic		\$ 0.01	\$ (0.03)
- diluted		\$ 0.01	\$ (0.03)
Weighted average number of shares outstanding			
- basic		89,123,537	75,658,909
- diluted		89,123,537	75,658,909

The accompanying notes are an integral part of these consolidated financial statements.

NETWORK MEDIA GROUP INC.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended November 30, 2022 and 2021

Expressed in Canadian dollars

	Note	Number of Common Shares	Issued Capital	Share-based Payment Reserve	Deficit	Total
Balance as at November 30, 2020		74,005,371	\$ 10,542,611	\$ 777,856	\$ (2,103,853)	\$ 9,216,614
Issuance of shares, net of share issue costs		13,833,333	2,064,622	-	-	2,064,622
Exercise of stock options	12(b), 12(c)	1,284,833	320,743	(141,451)	-	179,292
Share-based compensation	12(c)	-	-	490,717	-	490,717
Reclassification of fair value of expired/cancelled stock options	12(c)	-	-	(72,985)	72,985	-
Net and comprehensive loss for the year		-	-	-	(2,496,328)	(2,496,328)
Balance as at November 30, 2021		89,123,537	\$ 12,927,976	\$ 1,054,137	(4,527,196)	\$ 9,454,917
Balance as at November 30, 2021		89,123,537	\$ 12,927,976	\$ 1,054,137	\$ (4,527,196)	\$ 9,454,917
Share-based compensation	12(c)	-	-	530,815	-	530,815
Reclassification of fair value of expired/cancelled stock options	12(c)	-	-	(420,742)	420,742	-
Net and comprehensive income for the year		-	-	-	597,379	597,379
Balance as at November 30, 2022		89,123,537	\$ 12,927,976	\$ 1,164,210	(3,509,075)	\$ 10,583,111

The accompanying notes are an integral part of these consolidated financial statements.

NETWORK MEDIA GROUP INC.
Consolidated Statements of Cash Flows
For the years ended November 30, 2022 and 2021
Expressed in Canadian dollars

	Year ended	
	November 30, 2022	November 30, 2021
Operating activities		
Income (loss) for the year	\$ 597,379	\$ (2,496,328)
Items not involving cash:		
Amortization of property, equipment and right of use assets	377,068	529,482
Amortization of film and television properties	7,016,264	2,756,235
Impairment of investment in film and television properties	87,167	359,993
Share-based compensation	530,815	490,717
Unrealized foreign exchange loss (gain)	90,370	(173,089)
Write-off of accounts payable	(54,613)	(753,670)
Government assistance	-	(60,000)
Income tax recovery	-	(82,600)
	8,644,450	570,740
Net changes in non-cash working capital items		
Accounts receivable	(963,918)	355,665
Tax credits receivable	(107,007)	384,973
Prepaid expenses and deposits	(14,833)	5,431
Accounts payable and accrued liabilities	1,555,143	499,412
Accrued interest	195,754	111,746
Deferred revenue	(3,985,545)	3,959,973
Net cash provided by operating activities	5,324,044	5,887,940
Financing activities		
Issuance of shares	-	2,243,914
Proceeds from (repayment of) interim production financing	2,305,446	(715,003)
Repayment of line of credit	(105,000)	(10,000)
Repayment of lease obligations	(331,417)	(468,224)
Proceeds from (repayment of) debt payable	(150,825)	1,177,000
Net cash provided by financing activities	1,718,204	2,227,687
Investing activities		
Purchase of property, equipment and right of use assets	(40,513)	(108,729)
Investment in film and television properties, net of tax credits	(8,205,767)	(6,011,836)
Investment in properties under development	(786,041)	(65,152)
Net cash used in investing activities	(9,032,321)	(6,185,717)
Effect of exchange rate changes on cash	(90,370)	173,089
Net change in cash	(2,080,443)	2,102,999
Cash, beginning of year	2,788,730	685,731
Cash, end of year	\$ 708,287	\$ 2,788,730

Supplemental cash flow information (Note 24)

The accompanying notes are an integral part of these consolidated financial statements.

NETWORK MEDIA GROUP INC.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2022 and 2021
Expressed in Canadian dollars

1. Nature of operations and going concern

Network Media Group Inc. (“Network” or the “Company”) was incorporated on July 12, 2010 under the Business Corporations Act of the Province of British Columbia. Network together with its subsidiaries, develops, produces and exploits film and television properties in addition to providing production services to third parties.

The Company has a net income for the year of \$597,379, working capital deficit of \$2,724,509 and an accumulated deficit of \$3,509,075 which give rise to material uncertainties which may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to continue to generate profitable operations, manage its capital and access sufficient future capital if needed. These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of operations and at amounts different from those in these consolidated financial statements.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The economic effects within the film industry and in the global markets, including disruptions in the completion and delivery of the Company’s film and television properties, and the measures that have been introduced by the government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) have had an impact on the Company’s operations. To date, the Company has not had any productions cancelled due to COVID-19, but a number had production delays. As at November 30, 2022, all of those delayed productions had recommenced. 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, allowing the Company to continue operations and access to capital. Management continues to evaluate additional potential operational and financial risks to the Company at the date these financial statements were authorized for issue by the Board of Directors.

The Company’s registered office is Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

2. Basis of presentation

(a) 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 from the IFRS Interpretations Committee (“IFRIC”) with significant accounting policies as described in Note 3.

The consolidated financial statements of the Company for the years ended November 30, 2022 and 2021 were authorized for issue by the Board of Directors on March 27, 2023.

(b) Basis of measurement

The consolidated financial statements have been prepared on an accrual basis under the historical cost convention, except for financial instruments measured at fair value and cash flow information.

NETWORK MEDIA GROUP INC.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2022 and 2021
Expressed in Canadian dollars

2. Basis of presentation (continued)

(c) *Functional currency*

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its Canadian and U.S. subsidiaries.

(d) *Significant accounting judgments and key sources of estimate uncertainty*

The preparation of the consolidated financial statements and the application of the Company's accounting policies, requires management to make judgments, estimates and assumptions that affect the carrying amounts of assets, and liabilities, and the reported amounts of income and expenses. The estimates and associated assumptions are limited by the relevance of historical data and uncertainty of future events. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about assumptions and estimation uncertainties that could have a significant impact on the amounts recognized in the consolidated financial statements are included in the following notes:

- Note 3(d), 3(e), 3(i), 5 – Property, equipment and right of use assets
- Note 3(f), 3(i), 7 – Investment in film and television properties
- Note 3(j), 10, 21– Revenue recognition
- Note 3(l) – Tax credits receivable
- Note 3(m), 12(c) – Share-based compensation

Information about critical judgments, apart from those involving the assumptions and estimation uncertainties discussed above, made in the process of applying the Company's key accounting policies that could have a significant impact on the amounts recognized in the consolidated financial statements are included in the following notes:

- Note 3(o)(ii), 19 – Contingent liabilities
- Note 3(p), 23 – Income taxes

NETWORK MEDIA GROUP INC.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2022 and 2021
Expressed in Canadian dollars

3. Significant accounting policies

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of Network and its wholly owned subsidiaries. The active companies included within the consolidated financial statements are as follows:

- Network Media Group Inc. (British Columbia Incorporated)
- Network Entertainment Inc. (British Columbia Incorporated)
- Network Films Eighteen Inc. (British Columbia Incorporated)
- Network Films Nineteen Inc. (British Columbia Incorporated)
- Network Films Twenty Inc. (British Columbia Incorporated)
- Network Films Twenty-One Inc. (British Columbia Incorporated)
- Network Films Twenty-Two Inc. (British Columbia Incorporated)
- Network Pictures Twenty Inc. (British Columbia Incorporated)
- Network Pictures Twenty-One Inc. (British Columbia Incorporated)
- Network Pictures Twenty-Two Inc. (British Columbia Incorporated)
- Network Pictures Twenty-Four Inc. (British Columbia Incorporated)
- Network Entertainment Corp. (Delaware Incorporated)
- Network Entertainment Services Corp. (Delaware Incorporated)
- Network NFT Studios Inc. (formerly Network Studios Inc.) (British Columbia Incorporated)

All intercompany balances, transactions, income and expenses are eliminated on consolidation.

(b) *Foreign currency translation*

Transactions in currencies other than the functional currency are translated at the rates of exchange at the date of the transaction. At each consolidated statement of financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the period end date. The income and expenses are translated at the exchange rates prevailing at the dates of the transactions. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses are recognized in profit or loss in the period in which they arise.

(c) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held with financial institutions that are cashable and where principal is guaranteed, and other highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company did not hold any cash equivalents as at November 30, 2022 and 2021.

NETWORK MEDIA GROUP INC.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2022 and 2021
Expressed in Canadian dollars

3. Significant accounting policies (continued)

(d) *Property and equipment*

Property and equipment are stated at cost less accumulated amortization and accumulated impairment losses. Amortization of the assets' cost less residual value is recognized over the estimated useful life of the assets, based on the following annual rates:

Computer equipment	30% declining balance
Furniture and office equipment	20% declining balance
Production equipment	30% declining balance
Leasehold improvements	Straight line over term of the lease

The estimated useful lives, residual values and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. The determination of appropriate useful lives and residual values are based on management's judgment; therefore, the resulting amortization is subject to estimation uncertainty.

Items of property and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from their continued use. Any gain or loss arising from disposal or retirement is determined as the difference between the consideration received and the carrying amount of the asset and is recognized in profit or loss.

(e) *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 profit or 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*.

Lease obligations

The lease obligation is initially measured as the present value of the future payments discounted using the rate of 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. Interest charges are reported as part of finance costs in profit or loss and lease obligations are reported as a separate line item in the consolidated statement of financial position.

NETWORK MEDIA GROUP INC.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2022 and 2021
Expressed in Canadian dollars

3. Significant accounting policies (continued)

(f) *Investment in film and television properties*

Investment in film and television properties represents the unamortized cost of film and television properties which are in development and in progress, purchased property rights and completed proprietary film and television properties that have been produced by the Company.

Productions completed and released are reviewed on a case-by-case basis and amortization rates and timelines are adjusted depending on the estimated useful life of the property. The Company's typical documentaries are amortized at rates ranging from 50% - 60% of cost at the time of initial delivery, 10% of cost in year 2, 5% of cost in year 3 and the remaining balance is amortized on a straight-line basis over 7 years (or the estimated remaining useful life of the property, if less than 7 years). One significant production is being amortized, by episode, 75% in year 1 and the balance on a straight-line basis over the next 3 years and another one is being amortized, by episode, 50% in year 1 and the balance on straight-line basis over the next 4 years.

The carrying amount of investment in film and television properties is reviewed quarterly and any portion of the unamortized amount that appears not to be recoverable from future net revenues is recognized as impairment loss during the period the loss becomes evident.

For film and television properties produced by the Company, capitalized costs include all direct production costs and, an allocation of directly attributable overhead incurred during production that are expected to benefit future periods. Financing costs are capitalized to the costs of a film or television property until the film or television program is complete.

Properties under development

Properties under development represent the accumulated costs of properties that have not been completed or delivered by the Company and include properties in development and properties in progress. Development costs begin to be capitalized when the Company believes the idea is formulated to a point where future economic benefits are expected. Development costs include the costs of acquiring film rights and the third-party costs required to develop the property's concept and materials to finance the property. Development costs are incurred prior to the production process and are capitalized. Upon commencement of production, development costs are transferred to production costs. Development costs are written off when the property has been held for three years from initial investment if there have been no activities with respect to the property within the year or earlier when it has been determined that such costs cannot be recovered.

Impairment

The valuation of investment in film and television properties is reviewed on a property-by-property basis. Properties in development and properties in progress are tested for impairment at the end of each reporting period. Investments in film and television properties are assessed at each reporting period for indicators of impairment and, if present, the property is tested for impairment when circumstances indicated that the recoverable amount of a property may be less than its carrying value. The recoverable amount of the property is determined using management's estimate of the fair value less costs to sell based on future revenues and costs. A write-down is recorded equivalent to the amount by which the carrying value exceeds the recoverable amount of the property. Refer to Note 3(i)(i) for more information on assessing and testing non-financial assets for impairment, including investment in film and television properties.

NETWORK MEDIA GROUP INC.
Notes to the Consolidated Financial Statements
For the years ended November 30, 2022 and 2021
Expressed in Canadian dollars

3. Significant accounting policies (continued)

(g) *Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

(h) *Financial instruments*

i. *Recognition*

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial instruments are initially measured at fair value.

ii. *Classification and measurement*

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and,
- ii) those to be measured subsequently at amortized cost.

NETWORK MEDIA GROUP INC.
Notes to the Consolidated Financial Statements
For the years ended November 30, 2022 and 2021
Expressed in Canadian dollars

3. Significant accounting policies (continued)

(h) *Financial instruments (continued)*

ii. *Classification and measurement*

After initial recognition at fair value, financial instruments are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows are generally measured at amortized cost at each subsequent reporting period using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instruments, or where appropriate, a shorter period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

iii. *Derecognition*

Financial assets are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire.

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or they expire.

(i) *Impairment*

i. *Non-financial assets*

The Company's property and equipment are reviewed for indicators of potential impairment at least annually. The Company's investments in film and television properties are reviewed for indicators of potential impairment as described in Note 3(f) above. Such indicators may include an adverse change in business climate, technology, or regulations that impact the industry. The determination of whether such indicators exist requires significant judgment.

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3. Significant accounting policies (continued)

(i) *Impairment (continued)*

i. *Non-financial assets (continued)*

If indication of impairment exists, the asset's recoverable amount is estimated to determine the extent of an impairment loss, if any. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each film and television property is considered to be a CGU.

The recoverable amount of an asset or CGU is the greater of fair value less costs of disposal and value in use. The determination of the recoverable amount in the impairment assessment requires estimates based on present value or other valuation techniques or a combination thereof, requiring management to make subjective judgments and assumptions. When calculating an asset's value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the cash flows have not been adjusted.

An impairment loss is recognized when the carrying amount of an asset, or CGU, exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, if any, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. The Company has no goodwill balance for any of the reporting periods presented.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine 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 depreciation or amortization, if no impairment loss had been recognized. The reversal of an impairment loss is recognized immediately in profit or loss.

ii. *Financial assets*

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

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3. Significant accounting policies (continued)

(j) *Revenue recognition*

Revenue is earned primarily from the production and distribution of film and television properties.

Revenue from the sale of film and television property rights and license arrangements (“Production revenue”) and Distribution revenue are recognized when the performance obligations under the contract have been achieved and the goods or services have been transferred to the customer. The performance obligations are considered met when persuasive evidence of a sale or arrangement with a customer exists, the film or series episode is complete and the contractual delivery arrangements have been satisfied, the arrangement fee is fixed or determinable, collection of the arrangement fee is reasonably assured, and other conditions as specified in the respective agreements have been met. Distribution revenue is revenue earned upon the expiry of the initial license term or is revenue in excess of the Production revenue.

Revenue from contract film and television production services for third parties where performance obligations are satisfied over time are recognized based upon the proportion of costs incurred in the current year to total expected costs. The performance obligations are considered met when there is a written arrangement with a customer detailing the amount of total contract revenue so that the revenue can be measured reliably, the stage of completion can be measured reliably, the receipt of payment is probable, and costs incurred and to be incurred can be measured reliably. The amount of revenue is calculated based upon the proportion of costs incurred up to the current period to the property’s total expected costs. When it is expected that total costs will exceed revenue the expected loss is recognized immediately in profit or loss.

The estimate of revenue depends on management’s judgment and assumptions regarding expected total costs and revenue and recoverability of expenses. Management also uses judgment in assessing the assurance of collectability.

Cash payments received or receivable are recorded as deferred revenue until all conditions of revenue recognition have been met.

(k) *Borrowing costs*

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds for the financing of properties in progress. Borrowing costs directly attributable to the acquisition or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(l) *Government financing and assistance*

The Company claims federal and provincial film or video production refundable tax credits in Canada related to specific production expenditures. Tax credits are recorded on a net basis as a reduction in production costs for associated productions developed by the Company. Federal and provincial refundable income tax credits are considered receivable when conditions for eligibility of production assistance have been met, the qualified expenditures have been incurred and there is reasonable assurance that the credits will be realized. Tax credits are calculated using management’s estimates of the amount of labour that qualifies for the refundable tax at the end of each reporting period. The federal and provincial governments’ review of these calculations may ultimately adjust these estimates.

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3. Significant accounting policies (continued)

(l) *Government financing and assistance (continued)*

The Company also accrues for general government assistance programs, providing there is reasonable assurance that the Company has complied and will continue to comply with all conditions of the government funding. Nonrepayable government assistance relating to current expenses is included in the determination of net income (loss) and is included as other income in profit or loss. Repayable government assistance and unspent government assistance is recognized as a liability.

A forgivable loan from government is treated as government assistance when there is reasonable assurance that the Company will meet the terms for forgiveness of the loan. The government assistance is included in profit or loss as government grants in other income. If there is no reasonable assurance that the entity will meet the terms for forgiveness of the loan, the loan is recognized as a liability in accordance with IFRS 9 Financial Instruments. The liability would become a government grant (forgivable loan) when there is reasonable assurance that the entity will meet the terms for forgiveness.

(m) *Share-based compensation*

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these market vesting conditions are satisfied.

The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid. Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument.

NETWORK MEDIA GROUP INC.

Notes to the Consolidated Financial Statements

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3. Significant accounting policies (continued)

(m) *Share-based compensation (continued)*

As permitted under IFRS 2, Share-based payment, the amount for unexercised options can be transferred from one component of equity to another. The Company has selected an accounting policy to transfer the fair value of expired and cancelled options from share-based payment reserve to deficit.

(n) *Earnings (loss) per share*

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the basic weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. These include the Company's options outstanding as at year end. The dilutive effect of stock options is determined using the treasury stock method. Diluted loss per share is equivalent to basic loss per share, as the effect of potentially dilutive instruments would be anti-dilutive.

Dilutive earnings (loss) per share is computed by adjusting the weighted average number of common shares for the effects of dilutive instruments such as stock options. Dilutive instruments are excluded from the computation if their effect is anti-dilutive. As at November 30, 2022 the Company had nil (2021 – nil) outstanding stock options which were dilutive.

(o) *Provisions and contingencies*

(i) *Provisions - Measurement*

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received if the entity settles the obligation.

(ii) *Contingencies - Disclosure*

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, not within the control of the Company, or where the amount of a present obligation cannot be measured reliably, or it is not probable that an economic outflow will be required. Contingent assets are only disclosed when the inflow of economic benefits is probable. As contingencies will only be resolved when one or more future events occur or fail to occur, the assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

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3. Significant accounting policies (continued)

(p) *Income taxes*

Income tax expense comprises current and deferred tax.

Current tax is the expected tax payable or recoverable on the taxable profit or loss for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable from previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to unused tax loss carry forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Assessing the recoverability of deferred tax assets requires the Company to make significant judgments related to expectations of future taxable income.

Temporary differences do not result in deferred tax assets or liabilities if they relate to:

- an initial recognition of assets or liabilities, that does not arise from a business combination, and that does not affect accounting or taxable profit;
- goodwill; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled by the Company and reversal in the foreseeable future is not probable.

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 taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(q) *Standards issued but not effective*

Certain new accounting standards and interpretations have been published that become effective for future periods and have not been early adopted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) In January 2020, the IASB issued amendments to IAS 1, which affects only the presentation of liabilities; in the statement of financial position and not the amount or timing of their recognition or the information that is disclosed. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

NETWORK MEDIA GROUP INC.
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3. Significant accounting policies (continued)

(r) *Segment reporting*

The Company operates production entities and offices in Canada and in the U.S. The Company's business operates primarily through one operating segment being 'film and television production and distribution'. The Company has determined that they have one segment for reporting purposes. As at November 30, 2022, all non-current assets are in Canada. Refer to note 21 for a breakdown of the revenues between external customers located in Canada and the U.S.

4. Accounts receivable

	November 30, 2022	November 30, 2021
Receivables from broadcasters	\$ 1,048,309	\$ 190,534
Input tax credits and other receivables	77,272	101,129
	\$ 1,125,581	\$ 291,663

The aging of current receivables from broadcasters is as follows:

	November 30, 2022	November 30, 2021
Less than 60 days	\$ 684,913	\$ 169,632
Over 61 days	363,396	20,902
	\$ 1,048,309	\$ 190,534

Accounts receivable of \$130,000 (2021 – \$Nil) is due in 18 months and has been presented as non-current.

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5. Property, equipment and right of use assets

	Computer Equipment	Furniture and Office Equipment	Production Equipment	Right of Use Assets	Total
Cost					
Balance at November 30, 2020	\$ 904,388	\$ 89,510	\$ 61,148	\$ 1,164,321	\$ 2,219,367
Additions	76,397	16,776	-	550,679	643,852
Expired leases	-	-	-	(474,418)	(474,418)
Balance at November 30, 2021	980,785	106,286	61,148	1,240,582	2,388,801
Additions	29,474	-	11,039	6,906	47,419
Expired leases	-	-	-	(332,405)	(332,405)
Balance at November 30, 2022	\$ 1,010,259	\$ 106,286	\$ 72,187	\$ 915,083	\$ 2,103,815
Accumulated amortization					
Balance at November 30, 2020	\$ 744,145	\$ 73,015	\$ 35,971	\$ 803,444	\$ 1,656,575
Amortization expense	59,532	4,977	7,553	457,419	529,481
Expired leases	-	-	-	(474,418)	(474,418)
Balance at November 30, 2021	803,677	77,992	43,524	786,445	1,711,638
Amortization expense	57,558	5,656	6,943	306,911	377,068
Expired leases	-	-	-	(332,405)	(332,405)
Balance at November 30, 2022	\$ 861,235	\$ 83,648	\$ 50,467	\$ 760,951	\$ 1,756,301
Carrying amount					
November 30, 2021	\$ 177,108	\$ 28,294	\$ 17,624	\$ 454,137	\$ 677,163
November 30, 2022	\$ 149,024	\$ 22,638	\$ 21,720	\$ 154,132	\$ 347,514

There were no impairment write-downs or any reversals of previous write-downs, nor did the Company have any disposals of property and equipment, during the years presented.

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5. Property, equipment and right of use assets (continued)

The continuity of right of use assets is as follows:

	Leasehold				
	Improvements	Office	Vehicle	Equipment	Total
Cost					
Balance at November 30, 2020	\$ 66,912	\$ 689,358	\$ 34,186	\$ 373,865	\$ 1,164,321
Additions	13,734	536,945	-	-	550,679
Expired leases	(66,912)	(407,506)	-	-	(474,418)
Balance at November 30, 2021	\$ 13,734	\$ 818,797	\$ 34,186	\$ 373,865	\$ 1,240,582
Additions	-	-	-	6,906	6,906
Expired leases	-	-	-	(332,405)	(332,405)
Balance at November 30, 2022	\$ 13,734	\$ 818,797	\$ 34,186	\$ 48,366	\$ 915,083
Accumulated amortization					
Balance at November 30, 2020	\$ 66,912	\$ 493,531	\$ 7,111	\$ 235,890	803,444
Amortization expense	3,845	336,365	7,111	110,098	457,419
Expired leases	(66,912)	(407,506)	-	-	(474,418)
Balance at November 30, 2021	\$ 3,845	\$ 422,390	\$ 14,222	\$ 345,988	\$ 786,445
Amortization expense	6,592	264,271	7,111	28,937	306,911
Expired leases	-	-	-	(332,405)	(332,405)
Balance at November 30, 2022	\$ 10,437	\$ 686,661	\$ 21,333	\$ 42,520	\$ 760,951
Carrying amount					
November 30, 2021	\$ 9,889	\$ 396,407	\$ 19,964	\$ 27,877	\$ 454,137
November 30, 2022	\$ 3,297	\$ 132,136	\$ 12,853	\$ 5,846	\$ 154,132

During the year ended November 30, 2022 several of the Company's equipment leases expired. Cost of \$332,405 (2021 – \$474,418) and accumulated amortization of \$332,405 (2021 – \$474,418) have been derecognized from right of use assets.

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6. Intangible asset

On February 1, 2022, the Company entered into a non-fungible token (“NFT”) Licensing Agreement whereby the Company acquired certain rights to develop, create, and market NFTs (collectively, the “NFT Licenses”). Once the NFT licenses are commercially viable, the Company will amortize the cost of the licenses over the term. A continuity schedule of the intangible asset is as follows:

	Intangible asset
Cost	
Balance at November 30, 2021	\$ -
Additions	400,000
Balance at November 30, 2022	\$ 400,000

Consideration for the NFT Licenses is as follows:

- \$75,000 in the fiscal year ended November 30, 2022, of which \$25,000 was paid March 17, 2022, \$25,000 was paid June 8, 2022, and a further \$25,000 was paid on September 28, 2022,
- \$175,000 in the fiscal year ended November 30, 2023, which has been recorded in accounts payable and accrued liabilities; and
- \$150,000 in the fiscal year ended November 30, 2024, which has been recorded in accounts payable and accrued liabilities, if the Company exercises its right to renew and extend the term of the NFT Licenses to December 31, 2025.

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7. Investment in film and television properties

	Properties in development	Properties in progress	Properties completed and released	Total
Balance, November 30, 2020	\$ 1,193,580	\$ 1,653,852	\$ 7,349,466	\$ 10,196,898
Additions	147,439	6,002,704	1,285	6,151,428
Tax credits accrued	-	(2,099,626)	(707)	(2,100,333)
Transferred to projects in progress	(52,543)	52,543	-	-
Allocated to direct production costs	(10,674)	-	-	(10,674)
Funding taken into deferred revenue	(100,000)	-	-	(100,000)
Transferred to properties completed and released	-	(1,683,096)	1,683,096	-
Amounts written off and impaired	(279,063)	-	(80,930)	(359,993)
Amortization	-	-	(2,756,235)	(2,756,235)
Balance, November 30, 2021	898,739	3,926,377	6,195,975	11,021,091
Additions	388,082	9,277,589	10,662	9,676,333
Tax credits accrued	-	(1,875,039)	(4,544)	(1,879,583)
Transferred to properties in progress	(2,041)	2,041	-	-
Transferred to properties completed and released	-	(10,167,497)	10,167,497	-
Amounts written off and impaired	(87,167)	-	-	(87,167)
Amortization	-	-	(7,016,264)	(7,016,264)
Balance, November 30, 2022	\$ 1,197,613	\$ 1,163,471	\$ 9,353,326	\$ 11,714,410
As at November 30, 2022				
Cost	\$ 1,197,613	\$ 1,163,471	\$ 41,157,145	\$ 43,518,229
Accumulated amortization	-	-	(31,803,819)	(31,803,819)
Carrying amount	\$ 1,197,613	\$ 1,163,471	\$ 9,353,326	\$ 11,714,410
As at November 30, 2021				
Cost	\$ 898,739	\$ 3,926,377	\$ 30,983,532	\$ 35,808,648
Accumulated amortization	-	-	(24,787,557)	(24,787,557)
Carrying amount	\$ 898,739	\$ 3,926,377	\$ 6,195,975	\$ 11,021,091

During the year ended November 30, 2022, interest of \$58,651 (2021 – \$4,893) has been capitalized within the properties in progress and properties completed and released balances.

8. Line of credit

The Company has an available line of credit agreement with a Canadian chartered bank which provides that the Company may borrow up to \$300,000. Borrowing under the line of credit bears interest, payable monthly, at the bank's prime rate plus 1.8% and is secured by a general security agreement over the assets of the Company. The balances payable under this agreement are due on demand. As of November 30, 2022, outstanding borrowings were \$185,000 (2021 – \$290,000). Refer to Note 15(b) for related interest expense.

9. Interim production financing

Certain subsidiaries of the Company have secured interim bank loans to finance the cost of producing their respective productions. These loans bear interest at the bank's prime rate plus 1.50% per annum and are repayable on demand. Each loan is secured by the tax credits receivable of the respective subsidiary and a general security agreement over the assets of the Company. Refer to Note 15(b) for related interest expense. Subsequent to November 30, 2022, the Company repaid interim production financing of \$2,381,838. Refer to Note 25.

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10. Deferred revenue

Deferred revenue represents distribution and development advances as well as contracted fees received or receivable prior to the contracted work being completed.

Distribution advances will be taken into income upon completion of properties in progress. Development advances are from unrelated third parties for development of current and future properties. Repayment of the advances is contingent upon commencement of principal photography. In the event that the properties are not produced, the development advances are typically forgiven by the third party.

As at November 30, 2022, the Company had a deferred revenue balance of \$575,782 (2021 – \$4,561,327).

The following table reflects the movement in deferred revenue:

	November 30,	November 30,
	2022	2021
Deferred revenue, beginning of year	\$ 4,561,327	\$ 601,354
Revenue recognized that was included in the deferred revenue balance at the beginning of the year	(4,561,327)	(160,459)
Increases due to cash received, excluding amounts recognized as revenue during the year	575,782	4,120,432
Deferred revenue, end of year	\$ 575,782	\$ 4,561,327

11. Lease obligations

The Company's leases are comprised of the following:

	Note	Office Leases	Equipment Leases	Vehicle Leases	Total
Lease obligations recognized at November 30, 2020		\$ 204,220	\$ 146,522	\$ 27,719	\$ 378,461
Leases entered into during the year		535,125	-	-	535,125
Interest expense	15(b)	16,584	4,744	1,192	22,520
Lease payments		(353,845)	(106,397)	(7,982)	(468,224)
Lease obligations recognized at November 30, 2021		402,084	44,869	20,929	467,882
Less: non-current portion		(137,349)	(166)	(13,800)	(151,315)
Current portion of lease liabilities		\$ 264,735	\$ 44,703	\$ 7,129	\$ 316,567
Lease obligations recognized at November 30, 2021		\$ 402,084	\$ 44,869	\$ 20,929	\$ 467,882
Leases entered into during the year		-	6,906	-	6,906
Interest expense	15(b)	13,996	216	854	15,066
Lease payments		(278,692)	(44,742)	(7,983)	(331,417)
Lease obligations recognized at November 30, 2022		137,388	7,249	13,800	158,437
Less: non-current portion		-	-	(6,316)	(6,316)
Current portion of lease liabilities		\$ 137,388	\$ 7,249	\$ 7,484	\$ 152,121

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12. Share capital and share-based payment reserve

(a) *Authorized*

The Company has an unlimited number of authorized common shares and preferred shares with no par value.

(b) *Issued share capital*

During the year ended November 30, 2022, the Company did not issue any common shares.

During the year ended November 30, 2021, the Company completed a non-brokered private placement whereby it issued 13,833,333 common shares at \$0.15 per share for gross proceeds of \$2,075,000 and paid share issuance costs of \$10,378.

During the year ended November 30, 2021, the Company issued 1,284,833 common shares on the exercise of stock options for proceeds of \$179,292, as follows:

- a. 330,000 options on January 27, 2021 when stock price was \$0.16
- b. 131,500 options on January 29, 2021 when stock price was \$0.16
- c. 440,000 options on October 4, 2021 when stock price was \$0.19
- d. 110,000 options on October 27, 2021 when stock price was \$0.26
- e. 150,000 options on October 28, 2021 when stock price was \$0.23
- f. 110,000 options on November 10, 2021 when stock price was \$0.37
- g. 13,333 options on November 23, 2021 when stock price was \$0.28

(c) *Share-based payment reserve*

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 17,000,000 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.

During the year ended November 30, 2022, 3,473,667 stock options were cancelled or expired (2021 – 629,420), resulting in a reclassification of amounts totalling \$420,742 (2021 – \$72,985) from share-based payment reserve to deficit.

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12. Share capital and share-based payment reserve (continued)

(c) *Share-based payment reserve (continued)*

	As at November 30, 2022		As at November 30, 2021	
	Number of Options	Weighted Ave. Exercise Price	Number of Options	Weighted Ave. Exercise Price
Outstanding, beginning of year	14,268,667	\$ 0.15	8,972,920	\$ 0.15
Granted	5,386,667	\$ 0.11	7,210,000	\$ 0.16
Expired	(2,768,667)	\$ 0.14	(370,920)	\$ 0.20
Cancelled	(705,000)	\$ 0.14	(258,500)	\$ 0.15
Exercised	-	\$ -	(1,284,833)	\$ 0.14
Outstanding, end of year	16,181,667	\$ 0.14	14,268,667	\$ 0.15

As at November 30, 2022, the following stock options are outstanding and exercisable:

Number of options outstanding	Number of options exercisable	Exercise price	Remaining life (yrs)	Expiry
1,360,000	1,360,000	\$ 0.15	0.38	April 19, 2023
250,000	250,000	\$ 0.12	0.98	November 23, 2023
1,450,000	1,450,000	\$ 0.13	1.62	July 15, 2024
400,000	400,000	\$ 0.15	1.91	October 28, 2024
200,000	200,000	\$ 0.23	1.92	November 1, 2024
400,000	400,000	\$ 0.23	2.04	December 13, 2024
200,000	200,000	\$ 0.15	2.21	February 15, 2025
1,000,000	666,667	\$ 0.20	2.25	March 2, 2025
2,200,000	733,333	\$ 0.16	3.04	December 14, 2025
3,345,000	1,115,000	\$ 0.15	3.84	September 30, 2026
690,000	230,000	\$ 0.16	3.85	October 7, 2026
4,686,667	-	\$ 0.10	4.66	July 27, 2027
16,181,667	7,005,000		3.20	

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12. Share capital and share-based payment reserve (continued)

(c) *Share-based payment reserve (continued)*

During the year ended November 30, 2022, 5,386,667 options were granted. Vesting terms are as follows:

- 400,000 options granted December 13, 2021, vested immediately,
- 200,000 options granted February 15, 2022, vested immediately, and;
- 4,786,667 options granted July 27, 2022: one third vesting one, two and three years from the grant date.

During the year ended November 30, 2021, 7,210,000 options were granted. Vesting terms are as follows:

- 2,585,000 options granted December 14, 2020, one third vesting one, two and three years from the grant,
- 3,735,000 options granted September 30, 2021: one third vesting one, two and three years from the grant,
- 690,000 options granted October 27, 2021: one third vesting one, two and three years from the grant date, and;
- 200,000 options granted November 1, 2021, vested immediately.

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. 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
Year ended 2021	7,210,000	\$ 0.16	\$ 0.17	114%	0.90%	\$ 0.17	4.9
Year ended 2022	5,386,667	\$ 0.11	\$ 0.09	93%	2.65%	\$ 0.06	4.8

For the year ended November 30, 2022, the Company recognized share-based compensation expense in relation to these options of \$530,815 (2021 – \$490,717), which is included in profit or loss.

Share-based payment reserve consists of the following amounts:

	November 30, 2022	November 30, 2021
Outstanding options	\$ 1,332,535	\$ 1,222,462
Convertible debt	134,326	134,326
Share exchange for Network Entertainment Inc.	(302,651)	(302,651)
	<u>\$ 1,164,210</u>	<u>\$ 1,054,137</u>

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13. Accounts payable

During the years ended November 30, 2022 and 2021, management of the Company reviewed the accounts payable and noted that a portion of the balance had been outstanding for an extended period of time and there has been no correspondence received by the Company from these creditors for payment. As the statute of limitations has expired, management determined to write-off \$54,613 (2021 – \$753,670) from accounts payable.

14. Debt payable

	November 30, 2022	November 30, 2021
The Company has secured a \$1,200,000 loan from a chartered bank through the Export Development Canada (“EDC”) COVID relief funding program. The line of credit is secured by a general charge over the assets of the Company and accrues interest payable monthly, at the bank’s prime rate plus 0.25%. The term of the loan is 5 years from initial drawdown, commencing on February 1, 2021, with interest only for the first year, then converts to a term loan for the final 4 years. Refer to Note 15(b) for related interest expense.	\$ 975,000	\$ 1,057,000
The Company received loans of \$180,000 through the Canada Emergency Business Account (“CEBA”) to provide emergency support due to the impact of COVID-19. If the principal of \$120,000 is repaid by December 31, 2023, the remaining \$60,000 will be forgiven. Commencing January 1, 2024 any remaining balance will be converted into a two-year term loan which will incur interest at 5% per annum. The Company anticipates that \$120,000 of this loan will be repaid during 2023, therefore, the forgivable balance of \$60,000 was recognized as other income in profit or loss during the year ended November 30, 2021.	120,000	120,000
	\$ 1,095,000	\$ 1,177,000
Less: current portion	(300,000)	-
Non-current portion of debt payable	\$ 795,000	\$ 1,177,000

Principal repayments on long term debt are as follows:

- \$300,000 for the fiscal year ended November 30, 2023,
- \$420,000 for the fiscal year ended November 30, 2024,
- \$300,000 for the fiscal year ended November 30, 2025, and;
- \$75,000 for the fiscal year ended November 30, 2026.

15. Supplemental statement of net and comprehensive income (loss) disclosure

(a) *Employee benefit expenses*

Total salaries and wages recognized in profit or loss is \$1,367,963 (2021 – \$920,895) of which \$513,774 was recorded as direct production costs (2021 – \$398,882) and \$854,189 was recorded as general and administrative (2021 – \$522,013).

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15. Supplemental statement of net and comprehensive income (loss) disclosure (continued)

(b) *Financing expenses*

Financing expenses are comprised of the following:

	Year ended	
	November 30, 2022	November 30, 2021
Interest income	\$ (4,774)	\$ (866)
Interest expense on interim production financing	53,212	19,942
Interest expense on line of credit	68,825	64,392
Interest expense on lease obligations	15,066	17,803
Net financing expense	<u>\$ 132,329</u>	<u>\$ 101,271</u>

16. Government assistance

Refundable tax credits relating to production activities of the Company are claimed from the federal and provincial governments in Canada. The refundable tax credits for the year ended November 30, 2022 were recorded as follows:

- Reduction to direct production costs of \$391,649 (2021 – \$592,713); and
- Reduction to investment in film and television properties of \$3,196,911 (2021 – \$2,102,123).

During the year ended November 30, 2021, the Company received:

- \$624,790 from the Canada Emergency Wage Subsidy and was recorded as a reduction of salaries and wages within production costs,
- \$152,616 from the Canada Emergency Rent Subsidy and was recorded as other income; and
- \$30,000 from the Small and Medium Sized Business Recovery Grant Program and was recorded as other income.

17. Financial instruments

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

<u>Financial instrument</u>	<u>Classification</u>
Cash	Amortized cost
Accounts receivable	Amortized cost
Line of credit	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Interim production financing	Amortized cost
Debt payable	Amortized cost

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.

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17. Financial instruments (continued)

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:

Foreign exchange risk

Foreign exchange 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 U.S. dollar rate impacting U.S. dollar revenues during the year ended November 30, 2022 would result in a \$559,323 (2021 – \$135,777) impact to profit or loss.

The Company is also exposed to foreign exchange risk on its cash, accounts receivable and accounts payable balances that are denominated in U.S. dollars, being, respectively, \$470,234 (2021 – \$793,036), \$928,993 (2021 – \$84,834) and \$428,704 (2021 – \$786,070).

A five percent fluctuation in the U.S. dollar closing rate at November 30, 2022 would result in a net change to profit or loss of \$48,527 (2021 – \$4,591).

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

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17. Financial instruments (continued)

Risks arising from financial instruments (continued)

(i) *Market risk (continued)*

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 \$47,558 (2021 – \$33,322).

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 November 30, 2022, there are \$363,396 (2021 – \$20,902) of accounts receivable due over 61 days, but not considered impaired. Refer to Note 4 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.

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17. Financial instruments (continued)

Risks arising from financial instruments (continued)

(iii) *Liquidity risk (continued)*

The timing of payments required for accounts payable and debt in the next 5 years, by year, is as follows:

	2023	2024	2025	2026	2027
Accounts payable and accrued liabilities	\$ 4,884,303	\$ 150,000	\$ -	\$ -	\$ -
Interim production financing	2,926,897	-	-	-	-
Debt payable	300,000	420,000	300,000	75,000	-
	<u>\$ 8,111,200</u>	<u>\$ 570,000</u>	<u>\$ 300,000</u>	<u>\$ 75,000</u>	<u>\$ -</u>

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

18. 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 for year ended November 30, 2022, was \$10,583,111 (2021 – \$9,454,917).

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.

There were no changes in the Company's approach to capital management during the year ended November 30, 2022. The Company is not subject to externally imposed capital requirements.

19. Contingent liabilities

The Company and its subsidiaries may from time to time, be a party to certain legal disputes and claims arising from employment or commercial issues in the normal course of business.

The Company and its subsidiaries may, from time to time, enter into royalty or rights agreements for the use of images, stock footage, names and similar items. The Company is liable to pay for the use of these rights contingent on achieving particular production milestones. As these milestones are achieved, the Company accrues the related royalties and rights payable which are no longer contingent.

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20. Related parties

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly. Related parties are defined as key management personnel as well as any companies that are controlled by Officers or Directors of the Company. During the years ended November 30, 2022 and 2021, the Company paid or accrued wages and recognized share-based compensation to key management personnel in the following manner:

	November 30, 2022	November 30, 2021
Short-term employee benefits	\$ 667,470	\$ 796,615
Share-based compensation	223,775	191,711
	\$ 891,245	\$ 988,326
Recorded as:		
General and administrative expenses	\$ 27,500	\$ 39,665
Share-based compensation	223,775	191,711
Direct production costs	148,281	315,726
Investment in film and television properties	491,689	441,224
	\$ 891,245	\$ 988,326
Options issued	3,330,000	2,900,000

Accounts payable and accrued liabilities at November 30, 2022 includes, \$13,650 (2021 – \$122,588) owed to companies controlled by Officers and Directors of the Company. Amounts due to related parties are unsecured, non-interest bearing and due on demand. Prepaid expenses and deposits as at November 30, 2022 include \$nil (2021 – \$7,300) of amounts prepaid to an Officer of the Company.

21. Revenue

	Year ended November 30, 2022	Year ended November 30, 2021
Production revenue	\$ 10,170,272	\$ 837,003
Contract production services revenue	1,963,501	2,401,691
Distribution revenue	300,140	295,594
	\$ 12,433,913	\$ 3,534,288

Of the Company's \$12,433,913 (2021 – \$3,534,288) in revenues for the year ended November 30, 2022, \$1,247,456 (2021 – \$818,747) was attributable to external customers located in Canada, \$11,048,502 (2021 – \$2,487,633) was attributable to external customers located in the U.S., and \$137,955 (2021 – \$227,908) was attributable to other external customers.

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22. General and administrative expenses

	Year ended November 30, 2022	Year ended November 30, 2021
Insurance	\$ 35,386	\$ 33,312
Interest and bank charges	68,206	52,351
Office and general	190,465	75,039
Professional fees	151,083	148,119
Salaries and wages	854,189	522,013
Technology and licenses	52,201	130,298
Telecommunications	8,703	12,629
Transfer agent and filing fees	84,495	72,188
Travel	95,612	17,807
	\$ 1,540,340	\$ 1,063,756

23. Income taxes

A reconciliation of income taxes for the years ended November 30, 2022 and 2021 at the statutory rates with the reported income taxes follows:

	2022	2021
Net income (loss)	\$ 601,984	\$ (2,578,928)
Combined federal and provincial income tax rate	27%	27%
Expected income tax expense (recovery)	\$ 162,500	\$ (696,300)
Non-deductible expenditures	73,000	21,400
Adjustment to prior years provision versus statutory tax returns	(1,120,000)	(551,600)
Change in statutory, foreign tax, foreign exchange rates and other	(22,895)	(145,300)
Share issue costs	-	(2,800)
Change in unrecognized deductible temporary differences	912,000	1,292,000
Total income tax expense (recovery)	\$ 4,605	\$ (82,600)

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23. Income taxes (continued)

The tax effects of temporary differences that give rise to the Company's deferred income tax assets (liability) are as follows:

	2022	2021
Deferred tax assets		
Property and equipment	\$ 145,000	\$ 125,000
Share issue costs	2,000	3,000
Lease obligations	43,000	126,000
Non-capital losses available for future period	1,591,400	2,712,400
Total deferred tax assets	1,781,400	2,966,400
Deferred tax assets utilized to offset deferred tax liabilities	340,000	(1,757,000)
	2,121,400	1,209,400
Unrecognized deferred tax assets	(2,121,400)	(1,209,400)
Net deferred tax assets	\$ -	\$ -
Deferred tax liabilities:		
Right of use assets	\$ (42,000)	\$ (123,000)
Properties completed and released	382,000	(1,634,000)
Deferred tax assets utilized to offset deferred tax liabilities	(340,000)	1,757,000
Net deferred tax liabilities	\$ -	\$ -

The Company has non-capital loss carry-forwards that expire on November 30 of each respective year, as follows:

Year of expiry	Amount
2042	\$ -
2041	202,000
2040	164,000
2039	899,000
2038	208,000
2037	715,000
2036	260,000
2035	186,000
2034	227,000
2033	729,000
2032	1,255,000
2031	547,000
2030	303,000
	<u>\$ 5,695,000</u>

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24. Supplemental cash flow information

i. Non-cash investing and financing activities

	November 30, 2022	November 30, 2021
Amount included in prior year projects in progress transferred to productions completed and released	\$ 10,167,497	\$ 1,683,096
Tax credits receivable included in production costs	\$ 6,777,525	\$ 4,296,528
Accounts payable included in production costs	\$ 2,177,680	\$ 719,489
Fair value of options exercised	\$ -	\$ 141,451
Fair value of options cancelled	\$ 420,742	\$ 72,985
IFRS 16 adoption of right of use assets	\$ -	\$ 454,136

ii. Interest and income taxes paid

Interest paid during the year ended November 30, 2022 was \$102,379 (2021 – \$138,563). Income taxes paid during the year ended November 30, 2022 was \$4,605 (2021 – \$nil).

iii. Reconciliation of liabilities arising from financing activities

	2020	Cash flows	Non-cash changes		2021
			Accrued interest	Acquisition	
Line of credit	\$ 300,000	\$ (10,000)	\$ -	\$ -	\$ 290,000
Interim production financing	1,135,365	(715,003)	89,226	-	509,588
Lease obligations	378,461	(468,224)	22,520	535,125	467,882
Debt payable	-	1,177,000	-	-	1,177,000
Total liabilities from financing activities	\$ 1,813,826	\$ (16,227)	\$ 111,746	\$ 535,125	\$ 2,444,470

	2021	Cash flows	Non-cash changes		2022
			Accrued interest	Acquisition	
Line of credit	\$ 290,000	\$ (105,000)	\$ -	\$ -	\$ 185,000
Interim production financing	509,588	2,305,446	111,863	-	2,926,897
Lease obligations	467,882	(331,417)	15,066	6,906	158,437
Debt payable	1,177,000	(150,825)	68,825	-	1,095,000
Total liabilities from financing activities	\$ 2,444,470	\$ 1,718,204	\$ 195,754	\$ 6,906	\$ 4,365,334

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25. Subsequent events

Subsequent to November 30, 2022 the Company:

- i. Repaid \$2,381,838 of interim production financing;
- ii. Issued 300,000 stock options on March 24, 2023, exercisable at a price of \$0.10 for a term of 5 years, with one-half vesting upon the date of grant and one-half one year from the date of grant; and
- iii. Cancelled 270,000 stock options.