



AMCOMRI

ENTERTAINMENT

AMCOMRI ENTERTAINMENT INC.
(formerly Appreciated Media Holdings Inc.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31,
2023, AND 2022

This management's discussion and analysis ("MD&A") presents an analysis of the financial position of Amcomri Entertainment Inc. (the "Company" or "Amcomri") for the three months ended March 31, 2023, and 2022. The following information should be read in conjunction with the Company's consolidated financial statements and related notes for the three months ended March 31, 2023, and 2022 and audited consolidated financial statements for three months ended March 31, 2023, including the notes contained therein (collectively the "financial statements"). The financial statements are presented in Canadian currency and were prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") appropriate in the circumstances.

Additional information related to the Company is available on its website at www.amcomrientertainmentinc.com. Other information related to the Company, including the Company's most recent Annual Information Form ("AIF") and financial statements referred to herein are available on the Canadian Securities Administrator's website at www.sedar.com.

DATE OF REPORT

This MD&A is dated May 15, 2023.

EXPLANATORY NOTE

This MD&A for the three months ended March 31, 2023, and 2022, has been prepared to assist readers in understanding the financial performance of the Company.

FORWARD LOOKING STATEMENTS

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes', 'expects', 'anticipates', 'estimates', 'intends', 'plans', 'forecasts', 'projects' or similar expressions or statements that certain events or conditions "may" or "will" occur. Although the Company's management believes that the assumptions made and the expectations represented by such statement or information are reasonable, there can be no assurance that forward-looking statements or information referenced herein will prove to be accurate. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking statements. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the "Risks Factors" section. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The forward-looking statements contained herein are given as of the date of this MD&A. Unless required by securities legislation, the Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral, that may be made by or on the Company's behalf.

CAUTION REGARDING NON-IFRS MEASURES

In addition to the results reported in accordance with IFRS, this MD&A makes reference to certain measures that are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. The Company uses non-IFRS measures, including “EBITDA,” “adjusted EBITDA” as additional information to complement IFRS measures by providing further understanding of the Company’s results of operations from management’s perspective. Management believes that these measures provide useful information in that they may exclude amounts that are not indicative of the Company’s core operating results and ongoing operations and provide a more consistent basis for comparison between periods. For further details, please refer to the Non-IFRS Financial Measures section later in this document.

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CORPORATE PROFILE

The Company was acquired on January 7, 2022, by the shareholders of Trinity Pictures Distribution Limited (“Trinity”) by way of a reverse takeover (the “RTO”) and is now listed on the NEO Stock Exchange (the “NEO”) under the symbol “AMEN”, on OTC Markets Exchange under the symbol “AMNNF” and on the Frankfurt Exchange under the symbol “25YO.”

Operating in the multi-billion-dollar film and television market, Amcomri is a global independent producer, distributor, library owner and finance provider of movies, television series, and documentaries. With decades of experience across all key media platforms, the Company is rapidly becoming the go-to team for independent producers seeking the broadest possible audience for their productions. Amcomri is comprised of several subsidiaries including: 101 Films Limited (“101 Films”), 101 Films International Limited (“101 International”), Hollywood Classics International Limited (“HCI”), Appreciated Media Global Limited, Amcomri Productions Limited and Abacus Media Rights Limited (“Abacus”).

Revenue by Activity

The company operates in three distinct areas namely, Film Distribution, Film Production & Representation and Television Distribution & Co-production. Revenue by activity for the three months ended March 31, 2023 is set out below:

%	Film Distribution	Film Production & Representation	Television Distribution & Co-Production	Total
3 months ended 31 March 2023	27%	50%	23%	100%

A geographical analysis of the Company’s sales activities for three months ended March 31, 2023 is as follows: -

%	North America	United Kingdom	Europe	Rest of World	Total
Film Distribution	-	90%	2%	8%	100%
Film Production & Representation	74%	7%	10%	9%	100%
Television Distribution & Co-production	31%	20%	22%	27%	100%

Details of the Reverse Takeover

On August 9, 2021, the Company entered into an arrangement agreement with Trinity and the shareholders of Trinity which outlined the terms and conditions pursuant to which the Company and Trinity would complete a transaction which would result in a RTO of the Company by the shareholders of Trinity (the “Arrangement”).

On January 7, 2022, the Company completed the Arrangement. Pursuant to the Arrangement, the Company effected a consolidation of all of its outstanding common shares on a 25:1 basis (the “Consolidation”) and acquired all of the ordinary shares in the capital of Trinity (the “Trinity Shares”) in exchange for 66,666,667 post-Consolidation common shares of the Company issued at a deemed price per post-Consolidation share of \$0.75.

The Company also settled debt with Amcomri Limited Partnership and Oranmore Limited, both controlled by Paul McGowan (together, the “Creditors”), a significant shareholder of Trinity. The Creditors exchanged \$1,486,034 of debt for 1,981,379 post-Consolidation common shares at a deemed price of \$0.75 per post-Consolidation share.

In connection with the Arrangement, the Company changed its name to “Amcomri Entertainment Inc.”, delisted its common shares from the TSX Venture Exchange (“TSXV”) and listed its common shares on the NEO, a senior exchange based in Toronto, Canada.

STRATEGY

As a full service and diversified film and television business, our mission is to be the home of independent storytelling. We are breaking down the barriers for independent filmmakers and taking their stories global.

Our commitment and transparent approach to the market ensures our partner network of streaming platforms and television channels is second to none. As a result, we offer scale and aggregation to nearly 200 television and film producers around the world.

Amcomri plans to grow by:

- leveraging our high-margin, low overhead business model, partnerships with key platforms and channels (including Amazon Prime, AMC, CBC, and Netflix), and proven success in content acquisition;
- building our content portfolio through further library growth and new content acquisition and investment;
- expanding global distribution channels, with specific focus on North America;
- increasing our in-house production and co-production capabilities; and
- completing opportunistic acquisitions.

OVERALL PERFORMANCE

Quarter Highlights

- Revenue for the quarter of \$5,118,176, an increase of 22.9% compared to the first quarter of 2022;
- EBITDA was a profit of \$2,449,817 for the first quarter, an increase of 101% compared to the first quarter of 2022;
- Net income for the quarter of \$1,589,246 an increase of 329% compared to the first quarter of 2022;
- Basic and diluted earnings per share of \$0.02 for the three months ended March 31, 2023;
- Generated \$1,546,634 in cash from operating activities for the three months ended March 31, 2023 (2022 – (\$498,561)), with cash at the end of the quarter of \$1,554,376 (2022 - \$1,406,901).
- Released Left Behind 2 (Rise of the Antichrist) in North American theatres on 26 January 2023 with Box Office revenues of \$4.8m in a limited four-day release. Physical and Digital distribution windows opened in North America on 26 March 2023.
- Strong performance in the quarter from 101 Films (Movie Distribution).Revenues in Abacus (television and documentary division) experienced a slower than expected start to the year however this is due to two major 2023 releases being pushed to mid-2023.
- Delays experienced in 101 International’s (Movie Production) slate started to ease with seven titles delayed in 2022 now available for sale at the major film markets.

SELECTED QUARTERLY INFORMATION

The following financial data, which has been prepared in accordance with IFRS, is derived from the unaudited condensed interim consolidated financial statements for the quarters noted below. Earnings per share has been restated for periods prior to the RTO based upon a retroactive application of the RTO share exchange ratio.

	March 31, 2023 (unaudited) \$	December 31, 2022 (audited) \$	September 30, 2022 (unaudited) \$	June 30, 2022 (unaudited) \$
Revenue	5,118,676	1,799,538	4,360,217	3,546,563
Direct costs	951,177	52,471	868,743	264,850
Operating expenses	2,684,803	4,038,938	2,970,301	1,906,646
Other expenses (income)	117,214	(207,279)	837,962	129,893
Net profit (loss)	1,589,246	(2,084,592)	(316,789)	1,263,174
Basic and diluted earnings (loss) per share	0.02	(0.06)	(0.01)	0.02

	March 31, 2022 (unaudited) \$	December 31, 2021 (audited) \$	September 30, 2021 (unaudited) \$	June 30, 2021 (unaudited) \$
Revenue	4,165,183	3,014,621	3,508,136	5,002,728
Direct costs	825,497	653,692	(160,010)	825,649
Operating expenses	2,302,368	1,701,562	1,144,863	1,144,771
Other expenses (income)	259,043	488,781	310,087	1,431,154
Net profit (loss)	778,275	170,586	2,213,196	1,601,154
Net profit (loss) attributable to parent	0.01	120,365	2,213,196	1,601,154
Basic and diluted earnings (loss) per share	0.01	0.01	0.09	0.03

REVIEW OF FIRST QUARTER RESULTS

	Three months ended		Change %
	March 31, 2023 \$	March 31, 2022 \$	
Revenue	5,118,676	4,165,183	22.9%
Direct costs	951,177	825,497	15.2%
Operating expenses	2,684,803	2,302,368	16.6%
Other expenses (income)	117,214	(43,475)	(369.6)%
Net profit (loss)	1,589,246	778,275	104.2%
EBITDA ¹	2,449,817	1,189,181	106.0%

Notes:

1. Denotes a non-IFRS measure.

DISCUSSION OF OPERATIONS

Total Revenue

For the three months ended March 31, 2023, revenues increased by 22.9% to \$5,118,676 compared to \$4,165,183 for the same period in 2022. On a sequential basis, revenue was \$5,118,676 compared to \$1,799,538 for the fourth quarter of 2022. This is due to revenues from the limited Box Office release of Left Behind 2 recognized in the quarter along with strong revenues in movie distribution when compared to the first quarter of 2022.

Direct Costs

The charge for direct costs in the three months ended March 31, 2023 of \$951,177 increased from that charged in the three months ended March 31, 2022 (\$825,497) due to increased activity in the film distribution and production sectors of the company in the quarter with delayed titles delivering.

Amortization

The charge for amortization in the three months ended March 31, 2023 of \$843,342 increased from that charged in the three months ended March 31, 2022 (\$198,534). This was due to the acquired intangible assets relating to film distribution rights during the year, both tv and film libraries growing significantly as well as management taking a conservative view on the life cycle of titles in both libraries.

Office & Administration

For the three months ended March 31, 2023, office and administration expenses, were \$126,429 compared to \$182,261 for the same period in 2022. The decrease is due to a reduction in the amount charged to the company for d&o insurance following a premium loading by the provider for the first year of operation post-RTO in 2022.

Advertising and promotion

For the three months ended March 31, 2023, advertising and promotion expenses, were \$147,033 compared to \$37,952 for the same period in 2022. The increased activity includes title specific promotion, advertising in relation to tentpole titles as well as movie and television markets being attended in person once more following the COVID-19 global pandemic.

Salaries and benefits

Salaries and benefits expenses increased to \$861,708 for the three months ended March 31, 2023, compared to \$508,921 for the three months to March 31, 2022. The increase is a result of the Company's significant operational growth, resulting in an executive management team being hired in mid-2022, two additional employees joining the Company in the third quarter (a Head of Legal Affairs and an Acquisitions Manager) of 2022, and three additional employees joining the Company's finance team in the first quarter of 2023 bringing total employees across the group to twenty-six (2022 – 20) along with twelve part-time contractors. The increased staffing that occurred in fiscal 2022 and 2023 is projected to lead to further operational growth in fiscal 2023, translating into projected significant revenue generation, enhanced controls and oversight.

Management Fees

For the three months ended March 31, 2023, management fees decreased to \$15,450, compared to \$148,819 for the three months ended March 31, 2022. The decrease was attributable to the executive management team being employed in mid-2022 with their compensation being recorded as salary rather than fees for quarters one and two of 2022.

Professional fees

For the three months ended March 31, 2023, professional fees decreased to \$510,109, compared to \$1,133,981 for the three months ended March 31, 2022. The decrease was attributable to professional fees in relation to the RTO in January 2022 being one-off in nature.

Production Loan Interest

For the three months ended March 31, 2023, production loan interest of \$76,490 and loan interest of \$30,632 was incurred (2022 – nil). This interest relates to the production loan associated with Left Behind 2 and various other title specific funding respectively.

Travel & Entertainment

For the three months ended March 31, 2023, travel & entertainment costs of \$67,792 was incurred (2022 – \$12,214). This increase is due to an enhanced presence at sales markets compared to 2022 and management travel to Canada in respect of quarterly Board meetings.

Outlook

The Motion Picture Association of America estimated global revenues of approximately \$100 billion for the global video entertainment market in 2021, in its report published in March 2022. Industry estimates and Futuresource Consulting expect this value to increase to approximately \$110 billion in 2023, and is expected to experience strong growth in the coming years, driven by increasing demand for content from both traditional and new distribution platforms, primarily streaming services. Amcomri sees opportunity for growth by deepening and broadening partnerships with global and local platforms.

According to Digital Television Research, global subscription video on demand (“SVOD”) streaming services are expected to add 485 million subscribers between 2022 and 2027 to reach 1.7 billion, while revenue from global advertising-based video on demand (“AVOD”) streaming services is expected to double over the same time. Additionally, major streaming platforms such as Netflix, Disney+, HBO and Paramount+, are blurring the lines with their continued global rollouts of hybrid AVOD-SVOD tiers. The ongoing expansion of AVOD streaming services and Free ad-supported TV (“FAST”) channels represents the greatest scale opportunity for the Company to drive distribution of the new and

catalogue content in its libraries.

Content has become a key differentiator for streaming services. While major studios are bypassing the traditional process stages and directly releasing films on streaming platforms, increasing competition for subscribers has led to more content exclusivity as well as strong, growing demand for independently produced content.

The Company aims to increase its content portfolio through continued investment and development. This will be achieved through in-house production, co-production, acquisition and sales representation.

In 2023, the Company expects to add approximately 25 unscripted / documentary and approximately five scripted television shows, building its television library to over 5,000 hours. Its film division will add approximately 18 new films to the library of 4,750 films.

The Company is positioning itself for success through continued commitment to investment in growing and developing its highly skilled teams through additional resource in film acquisition, marketing, business affairs and finance.

FINANCIAL CONDITION AND LIQUIDITY

As at March 31, 2023, the Company had a cash balance of \$1,554,376 and a working capital deficit of \$14,320,300 (December 31, 2022 – cash of \$3,995,141 and working capital deficit of \$11,241,141). The increase in working capital deficit was due to payments in respect of the acquisition of an increasing number of titles and libraries which were funded through working capital and debt facilities.

In addition to the cash balances, the Company has also been provided with a \$1 million working capital facility by Oranmore Limited.

During three months ended March 31, 2023, the Company generated \$1,070,798 in cash from operating activities, used \$4,106,988 for investing activities in the acquisition of titles, and received approximately \$104,830 from financing activities. This resulted in a net cash outflow of \$2,440,765 leaving a cash on hand balance of \$1,554,376 on March 31, 2023, after the impacts of currency translation of \$490,595. Foreign Exchange exposure mitigation is currently being reviewed by the board of directors of the Company (the “Board”).

	3 months ended March 31, 2023 \$	3 months ended March 31, 2022 \$
Net cash provided by (used in):		
Cash provided by operating activities	1,070,798	5,461,225
Cash used in investing activities	(4,106,988)	(5,592,443)
Cash provided by financing activities	104,830	(235,476)
Increase (decrease) in cash	(2,440,765)	(395,937)

During three months ended March 31, 2023, operating activities were funded by:

- the Company’s internal resources and;
- third-party debt.

Management plans to continue financing the Company through its operations and the issuance of additional equity securities or debt instruments. With the support of the Company’s primary lender, Oranmore Limited, the Company is confident that enough financing will be available to meet the cash requirements involved in achieving the Company’s objectives for the next 12 months. The ability to achieve the projected future operating results is based on several assumptions which involve significant judgments and estimates, which cannot be assured. If the Company is unable to achieve the projected financing, liquidity will be adversely impacted, and the Company will have to seek additional sources of financing. Operating results could adversely affect the Company’s ability to raise additional capital to fund its operations and there is no assurance that sufficient debt or equity financing will be available on acceptable terms or on a timely basis.

The composition of the Company’s accounts payable and accrued liabilities was as follows:

	March 31, 2023	December 31, 2022
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	\$	\$
Trade payables	7,399,485	4,339,328
Accrued liabilities	18,504,942	17,394,704
VAT payable	32,482	62,000
Income tax payable	-	909,929
Other payables	1,125,797	2,072,745
	27,062,706	24,778,706

The increase of \$3,429,606 in accounts payable at March 31, 2023 when compared to March 31, 2022 is due to the acquisition of the Flame Media library where sales of larger volumes of older titles means enhanced royalties to producers.

The increase of \$8,922,781 in accrued liabilities at March 31, 2023 when compared to March 31, 2022 is due to Abacus commencing investment in both larger scale, higher profile and more expensive scripted and non-scripted titles. Such investment typically includes minimum guarantees payable at a future date but not invoiced as at March 31, 2023.

Gross contractual obligations as at March 31, 2023 are expected to be payable in the following respective periods:

	Total	Within 1 year	1 to 3 years
	\$	\$	\$
Accounts payable and accrued liabilities	27,062,706	27,062,706	-
Production loan payable	3,915,472	3,915,472	-
Loans payable	7,980,795	7,763,569	217,226

CAPITAL RESOURCES

The Company manages the capital structure and adjusts it following consideration of changes in economic conditions and the risk characteristics of the underlying assets. Organic growth and funding through short term individual title specific debt has been the primary source of capital to date. Debt and/or equity financing may be pursued in the future as deemed appropriate to balance debt and equity. To maintain or adjust the capital structure, the Company may issue new shares, take on debt to fund acquisitions or sell assets to reduce debt.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

There were no contingent liabilities as at March 31, 2023 or March 31, 2022.

BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS BETWEEN RELATED PARTIES

Related parties include key management personnel, the Board, shareholders with a significant ownership interest in the Company and the Company's key management personnel. The transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2023, applicable related parties consist of the following individuals and entities:

Paul McGowan, Chairman
Michael Walker, Director
Martin Andrew Lyon, Director
Robert Price, CEO
Larry Howard, CFO
Amcomri GP BVI Limited, controlled by Paul McGowan
Oranmore Limited, controlled by Paul McGowan
Amcomri Productions (formerly, Silentpoint Limited), which was controlled by Paul McGowan prior to being acquired by the Company
Bow River Pictures Ltd., controlled by Michael Walker

(a) Balances with related parties:

	March 31, 2023	December 31, 2022
	\$	\$
Due from related party	529,108	16,734
Due to related party ⁽ⁱ⁾	5,129	169,302
Short term loans (Note 16)	1,142,232	748,300
Production loan receivable (Note 10)	7,114,364	5,644,307
Production loan payable (Note 15)	3,915,472	3,843,577

Notes:

1. Amounts are unsecured, non-interest bearing and due on demand.

Loan balances above are inclusive of interest.

(b) Transactions during the period with companies related through common significant shareholder or key management personnel:

	March 31, 2023	December 31, 2022
	\$	\$
Salaries and benefits	264,405	507,103
Consulting fees	15,450	475,817
Share based payments	1,119	416,750
Interest income from related party	138,904	315,343
Interest expense to related party	166,842	276,688

On July 1, 2022, Amcomri entered into a service agreement (the “**CEO Agreement**”) with the Company’s Chief Executive Officer, Robert Price. Under the terms of the CEO Agreement, Mr. Price receives a base salary of GBP £150,000 per annum and is eligible to receive an annual cash bonus. The initial term of the CEO Agreement is five (5) years, with a commencement date of July 1, 2022 and will automatically continue unless terminated in accordance with the provisions of the CEO Agreement.

On July 1, 2022, Amcomri entered into an employment agreement (the “**CFO Agreement**”) with the Company’s Chief Financial Officer, Laurence Howard. Under the terms of the CFO Agreement, Mr. Howard receives a base salary of EUR €177,000 per annum and is eligible to receive an annual cash bonus. The CFO Agreement has no fixed term, with a commencement date of June 1, 2022. The CFO Agreement may be terminated by Amcomri immediately on an at fault basis where gross misconduct is found to have occurred. Amcomri may terminate Mr. Howard by providing twelve (12) months written notice or four (4) weeks in such scenarios provided for under the minimum terms of Employment Acts 1973 – 2005 of the Republic of Ireland, whichever is the greater.

OUTSTANDING SECURITIES

As at March 31, 2023, the following table summarizes the outstanding common shares, options and warrants.

Outstanding, March 31, 2023	
Common shares	73,606,424
Warrants	36,923

SUBSEQUENT EVENTS

None.

ACCOUNTING ESTIMATES AND STANDARDS**Critical Accounting Estimates**

The preparation of the Company's consolidated financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. Actual outcomes may differ from these estimates under different assumptions and conditions that could require a material adjustment to the reported carrying amounts in the future.

Impairment of Non-Financial Assets

Goodwill and intangible assets are tested annually for impairment, or earlier if circumstances indicate an impairment.

An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The Company's estimate of the recoverable amount for the purpose of impairment testing requires management to make assumptions regarding future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results and/or budgets, and a terminal value calculated by discounting the final year in perpetuity. The future cash flows are then discounted to their present value using an appropriate discount rate that incorporates a risk premium specific to the North American business.

The actual results may vary and may cause significant adjustments to the Company's assets within the next financial period. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated financial statements cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimates include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in these inputs could affect the reported fair value of financial instruments.

As at March 31, 2023 and 2022, the carrying amounts for cash, accounts receivables, accrued income, accounts payable and accrued liabilities, short term loans, production loans and due to related party approximate their fair value due to their immediate or short-term nature.

New Accounting Standards

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and determined that there are no standards that are relevant to the Company.

NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS financial measures in this MD&A: EBITDA and adjusted EBITDA.

EBITDA and Adjusted EBITDA are common measures used to assess profitability before the impact of different financing methods, income taxes, depreciation of capital assets and amortization of intangible assets. Management uses non-IFRS measures in order to facilitate operating performance comparisons from period to period and to prepare annual operating budgets. "EBITDA" is defined as net income (loss) before: (i) interest expense; (ii) corporation tax expense; and (iii)

depreciation and amortization. Adjusted EBITDA removes one-time, irregular, and non-recurring items from EBITDA.

These measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS.

RECONCILIATION OF NET INCOME (LOSS) TO EBITDA AND ADJUSTED EBITDA

EBITDA¹

	For the three months ended ²	
	March 31, 2023	March 31, 2022
	\$	\$
Net Income	1,589,246	778,275
Add:		
Interest	(4,606)	(3,196)
Tax	10,664	215,568
Amortization and depreciation	854,513	198,534
EBITDA ¹	2,449,817	1,189,181

Notes:

1. Denotes a non-IFRS measure.
2. Conversions to Canadian dollars from British Pound Sterling have been calculated at an average rate of £1.00 to C\$1.6424 for the three months ended March 31, 2023.

DIVIDENDS

There are no restrictions that could prevent the Company from paying dividends on its common shares. The Company has not paid any dividends on its common shares and it is not contemplated that the Company will pay any dividends in the immediate or foreseeable future. It is the Company's intention to use all available cash flows to fund its growth strategy.

RISK FACTORS

Readers are directed to carefully consider all of the risk factors disclosed in the Company's annual information form dated December 31, 2022, which are incorporated by reference herein. A copy of the annual information form is available under the Company's profile on SEDAR at www.sedar.com.

Risks Related to Potential Material Weaknesses

Canadian securities laws require an annual assessment by management of the effectiveness of the Company's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). The Company's management, under the supervision and with the participation of its Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's DC&P and ICFR as of December 31, 2022. As a result of this evaluation, management concluded that there were deficiencies relating to certain control matters, including (i) Formalized Policies and Procedures, (ii) user access controls, which in the aggregate, could result in a material weakness. A material weakness, as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators, is a deficiency, or a combination of deficiencies, in ICFR, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

In light of such deficiencies, the Company believes it had ineffective ICFR as of December 31, 2022 in accordance with applicable Canadian securities laws. The Company's inability to maintain effective ICFR could result in the loss of investor confidence in the reliability of the Company's financial statements, which in turn could harm its business and negatively impact the trading price or the market value of its securities. In light of the aforementioned material weakness, management has developed and intends to implement a remediation plan to strengthen the operating effectiveness of ICFR. Management believes that there are no material inaccuracies or omissions of material fact and, to the best of its knowledge, believes that the audited consolidated financial statements for year ended December 31, 2022 fairly present in all material respects and the financial condition and results of operations for the Company in conformity with International Financial Reporting

Standards. Notwithstanding the foregoing, readers are advised that in the event a the material weaknesses is found, it could may result in material inaccuracies in the Company's audited consolidated financial statements for year ended December 31, 2022.

If the Company is unable to address its control deficiencies, this could result in inaccuracies in its future financial statements and could also impair its ability to comply with applicable financial reporting requirements and make related regulatory filings on a timely basis. No evaluation can provide complete assurance that the Company's ICFR will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported. The effectiveness of the Company's processes, procedures and controls could also be limited by simple errors or faulty judgments. As the Company continues to expand, the challenges involved in implementing appropriate ICFR will increase and will require that the Company continue to monitor its ICFR.

The Company's Working Capital and Funding

Amcomri's working capital and funding needs may vary significantly depending upon a number of factors including, but not limited to:

- progress of the Company's production, financing, and distribution activities;
- collaborative license agreements with third parties;
- opportunities to in-license beneficial productions or potential acquisitions;
- potential milestone or other payments that the Company may make to licensors or corporate partners;
- technological and market consumption and distribution models or alternative forms of entertainment delivery that affect the Company's potential revenue levels or competitive position in the marketplace;
- the level of sales and gross profit;
- costs associated with production, labour and services costs, and the Company's ability to realize operation and production efficiencies;
- fluctuations in certain working capital items, including library assets, short-term loans, and accounts receivable, that may be necessary to support the growth of the Company's business;
- expenses associated with litigation; and
- management of debt and repayment of such debt.

Risks Related to the Nature of the Entertainment Industry

The entertainment industry involves a substantial degree of risk. Audience acceptance of entertainment programming is a factor not only of the response to the production's artistic components, but also to the quality and acceptance of other competing forms of entertainment programming released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors, all of which could change rapidly and most of which are beyond the Company's control. A lack of audience acceptance for the entertainment programming produced or distributed by the Company could have a material adverse effect on its business prospects, financial condition, results of operations and cash flows.

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

Risks Related to Television and Film Industries

The Company's results of operations will depend, in part, on the experience and judgment of management to select and develop new investment and production opportunities. The Company cannot make assurances that its films and television programs will obtain favourable reviews or ratings or that broadcasters or other customers will license the rights to

broadcast any of the Company's film and television programs in development or renew licenses to broadcast film and television programs in its library. The failure to achieve any of the foregoing could have a material adverse effect on the Company's business, results of operations or financial condition. Licensed distributors' decisions regarding the timing of release and promotional support of the Company's films, television programs and related products are important in determining the success of these films, programs and related products. The Company does not control the timing and manner in which its licensed distributors distribute its films, television programs or related products. Any decision by those distributors not to distribute or promote one of the Company's films, television programs or related products or to promote competitors' films, programs or related products to a greater extent than they promote the Company's products could have a material adverse effect on its business prospects, financial condition, results of operations and cash flows.

Entertainment Industry Trends

The entertainment industry is constantly undergoing change with respect to the formats through which movies, television programming and recorded music are ultimately delivered to the consumer. Management believes that the changes in consumer preferences will continue to be felt across the Company's businesses and that the impact of these changes can be very difficult to predict. A failure by the Company to adequately foresee, assess and capitalize upon such changes could result in a material adverse effect on its business prospects, financial condition, results of operations and cash flows.

The entertainment industry continues to undergo significant changes driven by technological developments. The Company cannot accurately predict the overall effect that technological growth or the availability of alternative forms of entertainment may have on the potential revenue from, and profitability of, the entertainment content produced or distributed by the Company. In particular, the conversion of content into digital formats may make it easier for consumers to create, transmit and "share" high quality unauthorized copies of motion pictures or television programs. As a result, consumers may be able to download and distribute unauthorized or "pirated" copies of such programming over the internet, thereby adversely impacting revenues to distributors and producers. Significant growth in these consumer practices could have a material adverse effect on the Company's business prospects, financial condition, results of operations and cash flows.

External Factors in the Content Industry

The Company's success will depend on the commercial success of content, which is unpredictable. Operating in this industry involves risk. It is difficult to predict how the audience will receive a production. The audience reaction and reviews and ratings of the production are determining factors in the commercial success of a production. The availability and access to different forms of entertainment and leisure activities, general economic conditions and other factors may change and the Company may have limited or no control over the outcome.

The Company is also dependent on the public's continued demand for subscriptions of cable television and services provided by subscription video on demand ("SVOD") companies. The Company's customers rely on funds generated through cable and/or SVOD subscriptions to fund the acquisition of new content. If customers decide to cancel their subscriptions to cable and/or SVOD, it could have an impact on the number of networks and broadcasters with whom the Company could do business. Such external factors could have a material adverse effect on the Company's business, operating results and financial condition.

Merchandising

Success of merchandising brands depends on consumers' tastes and preferences which can change in unpredictable ways. The Company depends on the acceptance by consumers of its merchandising offerings, therefore, success depends on the ability to predict and take advantage of consumer tastes in Canada and around the world. In addition, the Company derives royalties from the sale of licensed merchandise by third parties. The Company is dependent on the success of those third parties. Factors that negatively impact those third parties could adversely affect the Company's business prospects, financial condition, results of operations and cash flows.

Early Stage

The Company is an early-stage company and as such, the Company is subject to many risks including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Company's prospects must be considered speculative in light of the risks, expenses, and difficulties frequently encountered by companies in their early stages of operations, particularly in the highly competitive and rapidly evolving markets in which the Company operates. To attempt to address these risks, the Company must, among other things, successfully implement its business

plan, marketing, and commercialization strategies, respond to competitive developments, and attract, retain, and motivate qualified personnel. A substantial risk is involved in investing in the Company because, as a smaller commercial enterprise that has fewer resources than an established company, the Company's management may be more likely to make mistakes, and the Company may be more vulnerable operationally and financially to any mistakes that may be made, as well as to external factors beyond the Company's control.

The Company May Not be Able to Successfully Execute its Business Plan

The execution of the Company's business plan poses many challenges and is based on a number of assumptions. The Company may not be able to successfully execute its business plan. If the Company experiences significant cost overruns, or if its business plan is more costly than it anticipates, certain activities may be delayed or eliminated, resulting in changes or delays to its current plans, or the Company may be compelled to secure additional funding (which may or may not be available) to execute its business plan. The Company cannot predict with certainty its future revenues or results from its operations. If the assumptions on which its revenues or expenditures forecasts are based change, the benefits of the Company's business plan may change as well. In addition, the Company may consider expanding its business beyond what is currently contemplated in its business plan. Depending on the financing requirements of a potential business expansion, the Company may be required to raise additional capital through the issuance of equity or debt. If the Company is unable to raise additional capital on acceptable terms, it may be unable to pursue a potential business expansion.

The Company Faces Substantial Capital Requirements and Financial Risks

The business requires a substantial investment of capital. The production, acquisition, and distribution of motion picture and television content requires substantial capital. A significant amount of time may elapse between the Company's expenditure of funds and the receipt of revenues after release or distribution of such content. This may require a significant portion of funds from equity, credit, and other financing sources to fund the business. Although the risks of production exposure are reduced through tax credit programs, government and industry programs, other studios and co-financiers and other sources, there can be no assurance that these arrangements will continue to be successfully implemented or will not be subject to substantial financial risks relating to the production, acquisition, and distribution of future indie film and television content. In addition, if the production slate or the production budgets increase through internal growth or acquisition, there may be an increase to overhead and/or larger up-front payments for talent acquisition and, consequently, these increases bear greater financial risks. Any of the foregoing could have a material adverse effect on the Company's business, financial condition, operating results, liquidity, and prospects.

Access to Credit

The Company relies on its operating cash flows and its bank credit facilities to provide sufficient working capital. However, a deterioration in the global financial markets could affect the Company's ability to access bank credit markets, which could adversely affect the Company's liquidity. In addition, under its credit facilities, the Company has made various restrictive covenants to lenders. These restrictions prohibit or limit the Company's ability to incur additional debt, dispose of assets or pay dividends. If the Company defaults under its bank credit facilities, the Company's lenders may be entitled to demand repayment and enforce security against the Company's assets.

Additional Capital Requirements and Potential Dilution of Existing Shareholders

The Company may need to engage in equity or debt financings to secure additional funds (whether for the purpose of delivering growth through further material acquisitions and/or investments, maintaining and/or expanding its development, production and distribution of motion pictures and television content, funding the Company's operating expenses or otherwise). If the Company raises additional funds through further issuances of equity or convertible debt securities, the Company's existing shareholders could suffer significant dilution, and any new equity securities the Company issues could have rights, preferences, and privileges superior to those of holders of the Company's shares. Any debt financing secured by the Company in the future could involve significant borrowing costs and/or restrictive covenants relating to its capital raising activities and other financial and operational matters, which might make it more difficult for it to obtain additional capital and to pursue business opportunities. Further, if the Company does not have access to such financing arrangements, and if other funds do not become available on terms acceptable to the Company, there could be a material adverse effect on its business, financial condition, operating results, liquidity and prospects.

The Company can provide no assurance that sufficient debt or equity financing will be available on reasonable terms or at all to support its business growth and to respond to business challenges. Failure to obtain sufficient debt or equity financing when required could have a material adverse effect on its business, prospects, financial condition, results of operations, and cash flows.

The Company expects to incur short-term losses and generate negative cash flow until it can produce sufficient revenues to cover its costs. The Company may never become profitable. Even if it does achieve profitability, the Company may be unable to sustain or increase its profitability in the future. For the reasons discussed in more detail below, there are substantial uncertainties associated with the Company achieving and sustaining profitability. The Company expects its cash reserves will be reduced due to future operating losses and working capital requirements, and it cannot provide certainty as to how long its cash reserves will last or that it will be able to access additional capital if and when necessary.

The Company May Need to Raise Additional Capital in the Future to Fund its Operations

The Company may require substantial additional capital resources to further its production-packaging business model. Future cash requirements may vary materially from those expected if the Company elects to produce indie films, acquire indie films or experiences operational production delays or unexpected increases in costs related to the maintenance, defense, and enforcement of proprietary intellectual properties and tax credit refunds.

Sources of additional funding include collaborations and licensing arrangements, public or private equity, or debt financing.

If the Company's commercialization activities do not show positive results, or if capital market conditions in general, or with respect to entertainment motion picture companies in particular, are unfavorable, the Company may be unable to raise funds when needed or on acceptable terms.

A Sale of Assets or Suspension of Operations Due to Lack of Capital May Adversely Affect the Company's Business

If sufficient capital is not available, the Company may be required to delay, reduce the scope of, eliminate or divest one or more of its library assets or productions or suspend operations, any of which could have a material adverse effect on the Company's business, financial condition, prospects, or results of operations. While the Company may benefit from the net proceeds realized from any such sales, the Company's revenues may suffer in the long term due to the disposition of a revenue generating asset, or the timing of such dispositions may be poor, causing the Company to fail to realize the full value of the disposed asset, all of which may diminish its ability to service its indebtedness and repay its notes and its other indebtedness at maturity. Furthermore, the Company's future growth may be inhibited if the disposed asset contributed in a significant way to the diversification of its business platform.

The Company Has Broad Discretion Over the Use of Net Proceeds

The Company will have broad discretion over the use of the net proceeds from any future capital raises. Due to the number and variability of factors that will determine the Company's use of such proceeds, the ultimate use might vary substantially from the planned use. Investors may not agree with how the Company allocates or spends the proceeds from future capital raises. The Company may pursue collaborations that ultimately do not result in an increase in the market value of the Common Shares and that instead increase the Company's losses.

Budget Overruns and other Production Risks May Adversely Affect the Company's Business

While the Company's business model requires efficiency in the production of films and television content, actual production costs may exceed their budgets. The production, completion, and distribution of such content can be subject to a number of uncertainties, including delays and increased expenditures due to disruptions or events beyond the Company's control. As a result, if each production incurs substantial budget overruns, additional financing may need to be sourced. There are no assurances regarding the availability of such additional financing or on mutually acceptable terms, or that such costs will be recouped. Budget overruns could also prevent a picture from being completed or released, thereby having a material adverse effect on the business, financial condition, operating results, liquidity and prospects of the Company.

Unforeseen events such as labour disputes, death or disability of a star performer, changes related to technology, special effects or other aspects of production, shortage of necessary equipment, damage to film negatives, master tapes and recordings, or adverse weather conditions, or other unforeseen events may cause cost overruns and delay or frustrate completion of a production.

The Company's Results of Operations are Difficult to Predict and Depend on a Variety of Factors

Results may fluctuate due to the timing, mix, number, and availability of indie films produced or acquired and home

entertainment releases, as well as license periods for content. The operating results may increase or decrease during a particular period or fiscal year due to differences in the number and/or mix of films released compared to the corresponding period in the prior fiscal year. Moreover, the results of operations may be impacted by the commercial success of all of the Company's indie films and televisions productions. There is no assurance that the production, acquisition, and distribution of all current and future motion pictures will be managed successfully to receive critical acclaim or perform well commercially. Any inability to achieve such commercial success could have a material adverse effect on the Company's business, financial condition, operating results, liquidity, and prospects. Operating results also fluctuate due to accounting practices which may recognize the acquisition and sale of indie films in different periods than the recognition of related revenues, which may occur in later periods. In addition, the comparability of results may be affected by changes in accounting guidance or changes in the Company's ownership of certain assets. Accordingly, the results of operations from year to year may not be directly comparable to prior reporting periods. As a result of the foregoing and other factors, the results of operations may fluctuate significantly from period to period, and the results of any one period may not be indicative of the results for any future period.

Many Production or Co-Financing Partners do not have Long-Term Arrangements

The Company typically does not enter into long-term production contracts with the creative producers of motion picture and television content that it produces, acquires or distributes. The Company generally has certain derivative rights that provide for distribution rights to, for example, prequels, sequels, and remakes of certain content that the Company may produce, acquire or distribute. However, there is no guarantee that the Company will produce, acquire or distribute future content by any creative producer or co-financing partner, and a failure to do so could adversely affect the business, financial condition, operating results, liquidity, and prospects of the Company.

There are no Long-Term Agreements with Retailers

There is no assurance that favourable relationships with retailers and distributors will develop or, if developed, will be maintained or that they will not be adversely affected by economic conditions. If any retailer or distributor reduces or cancels a significant order or becomes bankrupt, it could have a material adverse effect on the business, financial condition, operating results, liquidity and prospects of the Company.

The Company's Success Depends on the Commercial Success of Motion Pictures and Television Programming, Which is Unpredictable

Generally, the popularity of the Company's programs depends on many factors, including the critical acclaim they receive, the format of their initial release, their talent, their genre and their specific subject matter, audience reaction, the quality and acceptance of motion pictures or television content that the Company's competitors release into the marketplace at or near the same time, critical reviews, the availability of alternative forms of entertainment and leisure activities, general economic conditions, and other tangible and intangible factors, many of which the Company does not control and all of which may change.

The Company cannot predict the future effects of these factors with certainty. In addition, because a performance in ancillary markets, such as home video and pay and free television, is often directly related to its box office performance or television ratings, poor box office results or poor television ratings may negatively affect future revenue streams. The Company's success will depend on the experience and judgment of its management to select and develop new investment and production opportunities. The Company cannot assure that its motion pictures and television programming will obtain favourable reviews or ratings, that its motion pictures will perform well at the box office or in ancillary markets, or that broadcasters will license the rights to broadcast any of its television programs in the development or renewal of licenses to broadcast programs in its library. Additionally, the Company cannot assure that any original programming content will appeal to its distributors and subscribers.

The Company's Business Involves Risks of Liability Claims for Content of Material, Which Could Adversely Affect its Business, Results of Operations, and Financial Condition

As a distributor of media content, the Company may face potential liability for defamation, invasion of privacy, negligence, copyright or trademark infringement, and other claims based on the nature and content of the materials distributed. These types of claims have been brought, sometimes successfully, against producers and distributors of media content. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on the Company's business, financial condition, operating results, liquidity, and prospects.

Piracy of Films and Television Programs Could Adversely Affect the Company's Business Over Time

Piracy is extensive in many parts of the world and is made easier by the availability of digital copies of content and technological advances allowing conversion of films and television content into digital formats. This trend facilitates the creation, transmission, and sharing of high quality unauthorized copies of motion pictures and television content. Users may be able to download and distribute unauthorized or “pirated” copies of copyrighted material over the internet. The proliferation of unauthorized copies of these products has had and will likely continue to have an adverse effect on the Company’s business, because these products reduce the revenue it receives from its products. In order to contain this problem, the Company may have to implement elaborate and costly security and anti-piracy measures, which could result in significant expenses and losses of revenue.

There is No Assurance that Even the Highest Levels of Security and Anti-Piracy Measures Will Prevent Piracy

In particular, unauthorized copying and piracy are prevalent in countries outside of the United States, Canada, and Western Europe, whose legal systems may make it difficult for the Company to enforce its intellectual property rights. While the United States government has publicly considered implementing trade sanctions against specific countries that, in its opinion, do not make appropriate efforts to prevent copyright infringements of United States-produced motion pictures and television content, there can be no assurance that any such sanctions will be enacted or, if enacted, will be effective. In addition, if enacted, such sanctions could impact the amount of revenue that the Company realizes from the international exploitation of its content.

Protection of Intellectual Property

The Company’s ability to compete depends, in part, upon successful protection of its intellectual property. The Company attempts to protect proprietary and intellectual property rights to its productions through available copyright and trademark laws and licensing and distribution arrangements with reputable international companies in specific territories and media for limited durations. Despite these precautions, existing copyright and trademark laws afford only limited practical protection in certain countries where the Company distributes its products. As a result, it may be possible for unauthorized third parties to copy and distribute the Company’s productions or certain portions or applications of its intended productions, or otherwise contest or infringe upon the Company’s intellectual property rights, all of which could have a material adverse effect on the Company’s business, financial condition, operating results, liquidity, and prospects. Any successful claims to the ownership of these intangible assets could hinder the Company’s ability to exploit these rights. There can be no assurance that the Company’s actions to establish and protect copyright, trade marks and other proprietary rights will be adequate to prevent imitation by others of entertainment programming produced and/or distributed by the Company or to prevent third parties from seeking to block its distribution and exploitation of contract rights as a violation of its trade marks and proprietary rights. The Company does not have the financial resources to protect its rights to the same extent as its competitors.

Protecting and Defending Against Intellectual Property Claims May Have a Material Adverse Effect on the Company’s Business

Litigation may be necessary to enforce the Company’s intellectual property rights, to protect its trade secrets, or to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Any such litigation, infringement or invalidity claims could result in substantial costs and the diversion of resources and could have a material adverse effect on the Company’s business, financial condition, operating results, liquidity, and prospects.

The Company’s more successful and popular film or television products or franchises may experience higher levels of infringing activity, particularly around key release dates. Alleged infringers have claimed and may claim that their products are permitted under fair use or similar doctrines, that they are entitled to compensatory or punitive damages because the Company’s efforts to protect its intellectual property rights are illegal or improper, and that its key trademarks or other significant intellectual property are invalid. Such claims, even if meritless, may result in adverse publicity or costly litigation. The Company will vigorously defend its copyrights and trademarks from infringing products and activity, which can result in litigation. The Company may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurance that a favorable final outcome will be obtained in all cases.

Additionally, one of the risks of the film and television production business is the possibility that others may claim that the Company’s productions and production techniques misappropriate or infringe the intellectual property rights of third parties with respect to their previously developed films and television series, stories, characters, other entertainment or intellectual property. Regardless of the validity or the success of the assertion of any such claims, the Company could incur significant costs and diversion of resources in enforcing its intellectual property rights or in defending against such claims, which could have a material adverse effect on its business, financial condition, operating results, liquidity, and prospects.

Limited Ability to Exploit Filmed and Television Content Library

The Company depends on a limited number of titles for the majority of the revenues generated by its film and television content library. If the Company cannot acquire new products and rights to popular titles through production, distribution agreements, acquisitions, mergers, joint ventures or other strategic alliances, it could have a material adverse effect on its business prospects, financial condition, results of operations and cash flows.

Changes in Regulatory Environment

The Company's operations may be negatively affected in varying degrees by future adverse changes in the regulatory environment that currently governs the film and television industry. Any change in the regulatory environment could have a material adverse effect on the Company's business prospects, financial condition, results of operations and cash flows.

Litigation

Governmental, legal or arbitration proceedings may be brought or threatened against the Company in the future. Regardless of their merit, any such claims could be time consuming and expensive to evaluate and defend, divert management's attention and focus away from the business and subject the Company to potentially significant liabilities.

Technological Change

The television and film industries are characterized by technological change and evolving trends. Technological change can have positive effects, but may also have a material adverse effect on the Company's business prospects, results of operations and financial condition. For example, in recent years, content consumers have spent an increasing amount of time on the internet and on mobile devices and increasingly seek to download and/or view content on a time-delayed or on-demand basis, via televisions and on handheld or portable devices, which has caused significant changes to the retail distribution of content. Additionally, the emergence of new production or computer generated imagery technologies, or a new digital television broadcasting standard, may diminish the value of the Company's existing equipment and content.

Although the Company is committed to adapting new production technologies, there can be no assurance that it will be able to incorporate other new production and postproduction technologies which may become de facto industry standards. In particular, the advent of new broadcast standards, which may result in television programming being presented with greater resolution and on a wider screen than is currently the case, may diminish the evergreen value of the Company's programming library because such productions may not be able to take full advantage of such features. There can be no assurance that the Company will be successful in adapting to these changes on a timely basis.

Labour Relations

Many individuals associated with the Company's projects are members of guilds or unions which bargain collectively with producers on an industry-wide basis from time to time. While the Company has positive relationships with the guilds and unions in the industry, a strike by, labour protest, or a lockout of, one or more of the guilds or unions that provide personnel essential to the production by the Company or its content partners of entertainment programming could delay or halt the delivery of such programming. Such a halt or delay, depending on the length of time and the number of productions affected, could have a material adverse effect on the Company's business prospects, financial condition, results of operations and cash flows.

Concentration Risk

Revenue may originate from disproportionately few broadcasters and internet "over the top" platform customers. The value of the Company's may be substantially adversely affected should it lose the revenue generated by any such broadcasters or customers.

Fluctuation of Financial Results

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

Competition

Substantially all of the Company's revenues are derived from the production and distribution of television and film programs. The Company faces competition from other companies in both its production and distribution operations. Some of the Company's competitors have substantially greater marketing, production and financial resources than the Company, which means they may be able to compete aggressively on pricing and other aspects of future production and distribution opportunities. The Company competes with other television and film production companies for ideas and storylines created by third parties as well as for actors, directors, and other personnel required for production. Further, vertical integration of the television broadcast industry worldwide and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available time slots for programs produced by third-party production companies, even though the total number of outlets for programming has increased. There can be no assurances that the Company will be able to compete successfully in the future or that it will continue to produce or acquire rights to additional successful programming or enter into agreements for the financing, production, distribution or licensing of programming on terms favourable to them. There continues to be intense competition for the most attractive time slots offered by various broadcasting services. There can be no assurances the Company will be able to increase or maintain penetration of broadcast schedules. Such competition may result in the Company losing access to future opportunities, which would have a material adverse effect on the Company's business prospects, financial condition, results of operations and cash flows.

Dependence on Management and Key Personnel

The Company's success depends largely upon the continued services of its executive officers and other key employees. From time to time, there may be changes in The Company's executive management team resulting from the hiring or departure of executives, which could disrupt its business. If the Company is unable to attract and retain top talents, its ability to compete may be harmed. The Company's success is also highly dependent on its continuing ability to identify, hire, train, retain and motivate highly qualified personnel. Competition for highly skilled entertainment executives and other employees is high in the Company's industry, and the Company may not be successful in attracting and retaining such personnel. Failure to attract and retain qualified executive officers and other key employees could have a material adverse effect on its business, prospects, financial condition, results of operations, and cash flows.

Investment Strategy

There can be no certainty that the Company will be able to implement successfully its business or investment strategy. The Company's ability to implement its strategy in a competitive market requires effective planning and management control systems. The Company's future growth will depend on its ability to expand and improve operational, financial and management information and control systems in line with its growth. Failure to do so could have a material adverse effect on the Company's business prospects, financial condition, results of operations and cash flows.

Changes in the Company's Business Strategy, Plans for Growth or Restructuring of Its Businesses May Increase Its Costs or Otherwise Affect the Profitability of Its Businesses

As changes in the Company's business environment occur, it may adjust its business strategies to meet these changes, which may include growing a particular area of business or restructuring a particular business or asset. In addition, external events including changing technology, changing consumer patterns, acceptance of the Company's theatrical and television offerings and changes in macroeconomic condition, including the volatility and uncertainty in financial markets as a result of the ongoing COVID-19 global pandemic and its effects, may impair the value of the Company's assets. When these changes or events occur, the Company may incur costs to change its business strategy and may need to write down the value of assets. The Company may also make investments in existing or new businesses, including investments in the international expansion of the Company's business and in new business lines. Such investments have and continue to be made through the Company's acquisition of further libraries to feed the growing subscription video on demand market and the Company's direct-to-consumer and licensed offerings. Some of these investments may have short-term returns that are negative or low and the ultimate prospects of the businesses may be uncertain, or, in international markets, may not develop at a rate that supports the Company's level of investment. In any of these events, the Company's costs may increase, it may have significant charges associated with the write-down of assets, or returns on new investments may be lower than prior to the change in strategy, plans for growth or restructuring.

Acquisitions

The Company has made, and will continue to pursue, various acquisitions, business combinations and joint ventures intended to complement or expand its business. Any indebtedness incurred or assumed in any such transaction may or

may not increase the Company's leverage relative to its earnings before interest, provisions for income taxes, amortization, minority interests, gain on dilution of investment in subsidiary and discount operations, or earnings before interest, taxes, depreciation and amortization, or relative to the Company's equity capitalization, and any equity issued may or may not be at prices dilutive to its then existing shareholders. The Company may encounter difficulties in integrating acquired assets with its operations. Furthermore, the Company may not realize the benefits it anticipated when it entered into these transactions. In addition, the negotiation of potential acquisitions, business combinations or joint ventures as well as the integration of an acquired business could require the Company to incur significant costs and cause diversion of management's time and resources. Future acquisitions could also result in an impairment of goodwill and other intangibles, development project impairments and other acquisition-related expenses.

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

The Company's Revenues and Results of Operations Are Vulnerable to Currency Fluctuations

The Company reports its revenues and results of operations in Canadian dollars, but the majority of the Company's revenue is earned in the United Kingdom in the form of British pounds sterling. The Company's currency exposure is primarily between Canadian dollars, British pound sterling, Euros and U.S. dollars. The Company may expand operations globally so it may be subject to additional gains and losses against additional currencies. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. The Company cannot accurately predict the impact of future exchange rate fluctuations on revenues and operating margins, and such fluctuations may have a material adverse effect on the Company's business, financial condition and operating results. Moreover, the Company may experience currency exposure on distribution and production revenues and expenses from foreign countries. This could have a material adverse effect on the Company's business, financial condition, operating results, liquidity and prospects.

The Company does not currently have a foreign exchange hedging program in place. In the future, the Company may establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, it may not hedge its entire exposure to any one foreign currency and it may not hedge its exposure at all with respect to certain foreign currencies.

The Company's results may be affected by an increase in expenses incurred in connection with the operation of the Company's business. The Company's expenses may fluctuate based on a number of factors beyond the Company's control and outside of the Company's business, including: oil prices and other energy related costs, changes in supply and demand, general economic conditions, labour costs, competition, import duties, tariffs, currency exchange rates and government regulation. The Company may not be able to adjust the prices of its contracts, especially in the short-term, to recover these cost increases from the Company's customers. A continual rise in costs could adversely affect consumer demand for the Company's titles and increase its operating costs, both of which could have a material adverse effect on the Company's financial condition and results of operations.

Inflation

The general rate of inflation impacts the economies and business environments in which the Company operates. Inflation increased significantly in 2021 and 2022 and may continue to increase in 2023. Accordingly, the Company expects that costs of all inputs to the Company's products, including supplier costs and general employee and overhead costs, will increase. These increases in cost may adversely impact the profitability of our current and future contracts. To the extent that the Company is not able to pass these costs on to the Company's customers through increased pricing of the Company's products, the Company's margins on its products will be reduced. Further, increased pricing of the Company's products may result in reduced demand and negatively impact the Company's revenues. Accordingly, increased inflation and any economic conditions resulting from governmental attempts to manage or reduce inflation, such as the imposition of higher interest rates or wage and price controls, may negatively impact the Company's costs as well as the demand for its products and services, and have a material adverse effect on the Company's business, financial condition and results of operations.

The Impact of Any Changes in Interest Rates

The Company does not presently actively make use of derivative financial instruments to mitigate the impact of changes in interest rates. An increase in the applicable interest rate on the Company's debt could adversely impact its financial condition.

Changes to Taxation Legislation

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

Income Taxes and Audits From Tax Authorities

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

Dependence on Management Information Systems

The Company's ability to conduct its business, including maintaining financial controls, is based in part on the efficient and uninterrupted operation of its computer systems, including management information systems and access to the internet. If any of the Company's financial, rights management, personnel, email, other information technology systems, internet access or other systems or processes were to stop operating properly for any significant period of time for any reason (including, for example, hardware or software malfunctions, computer viruses, internet problems, sabotage, cyber-attacks, security breaches, theft, or other destruction, invasion or interruption, or unauthorized access to our systems), it could suffer a disruption to its business, loss of data, regulatory intervention or reputational damage. These threats are increasing in number and severity and broadening in type of risk, including most recently with the Russo - Ukrainian war and cyber attacks ongoing in that context, which may broaden.

Risks Related to Privacy and Information Security

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

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, and in the future the Company may expend additional resources to continue to enhance its information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that the Company will not suffer a data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on the Company's systems, or that any such incident will be discovered in a timely manner. Any such incident could affect the Company's business and, among other things, result in the loss of revenue, the loss or unauthorized access to confidential information or other assets, the loss of or damage to trade secrets, damage to the Company's reputation, litigation, regulatory enforcement actions, violation of privacy, security or other laws and regulations and remediation costs.

Conflicts of Interest

Certain of the directors and officers of the Company are or may become directors of, or be employed by or affiliated with other entertainment companies or other organizations which have entered into agreements or will enter into agreement with the Company. In certain circumstances, such persons may have a conflict of interest requiring them to abstain from certain decisions of the Board. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation.

Under the *Business Corporations Act* (British Columbia), directors have a duty to act honestly and in good faith with a view to the best interests of the Company. Additionally, a director or senior officer with a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer of the Company must promptly disclose the nature and extent of that conflict, and a director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter may generally not vote on any directors' resolution to approve such contract or transaction. The corporate laws of England and Wales require the directors of the Company's United Kingdom-based subsidiaries to act in a way most likely to promote the success of the Company for the benefit of its members as a whole. Despite these protections under applicable corporate laws, the Company cannot assure that any decision or recommendation made by such persons involving the Company will be made in accordance with such persons' obligations under applicable corporate laws.

Credit Risk

In the normal course of business, the Company is exposed to credit risk from its accounts receivable from customers. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts, which are estimated based on past experience, specific risks associated with the customer and other relevant information.

Claims Against a Seller for Claims Against the Company Relating to Any Acquisition or Business Combination That the Seller May Not Indemnify for or That May Exceed the Seller's Indemnification Obligations

There may be liabilities assumed in any acquisition or business combination that the Company did not discover or that it underestimated in the course of performing the Company's due diligence. Although a seller generally will have indemnification obligations to the Company under an acquisition or merger agreement, these obligations usually will be subject to financial limitations, such as deductibles and maximum recovery amounts, as well as time limitations. The Company cannot assure you that its right to indemnification from any seller will be enforceable, collectible or sufficient in amount, scope or duration to fully offset the amount of any undiscovered or underestimated liabilities that it may incur. Any such liabilities could have a material adverse effect on the Company's business, financial condition, operating results, liquidity and prospects.

Global Economic Turmoil and Regional Economic Conditions Could Adversely Affect the Company's Business

Global economic turmoil, such as that being created by the ongoing COVID-19 global pandemic and its effects, as well as the effect of the Russo - Ukrainian war may cause a general tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, varying degrees of intervention from governments, decreased consumer confidence, overall slower economic activity and extreme volatility in credit, equity and fixed income markets as well as an increase in cybersecurity attacks. A decrease in economic activity in the U.S. or in other regions of the world in which the Company does business could adversely affect demand for its content, thus reducing its revenues and earnings. A decline in economic conditions could reduce performance of the Company's theatrical, television and home entertainment releases. In addition, an increase in price levels generally could result in a shift in consumer demand away from the entertainment the Company offers, which could also adversely affect its revenues and, at the same time, increase its costs. For instance, lower household income and decreases in U.S. consumer discretionary spending, which is sensitive to general economic conditions, may affect cable television and other video service subscriptions, in particular with respect to digital programming packages on which the Company's networks are typically carried and premium video programming packages and premium a la carte services on which the Company's networks are typically carried. A reduction in spending may cause a decrease in subscribers to its networks, which could have a materially adverse impact on the Company's business, financial condition, operating results, liquidity and prospects. Moreover, financial institution failures may cause the Company to incur increased expenses or make it more difficult to finance any future acquisitions, or engage in other financing activities.

If a recession occurs globally or in any regions of the world in which the Company does business, it may adversely affect the Company's business, and such adverse effects may be material. The Company cannot guarantee that it will recover from

any effects of global or regional economic turmoil as rapidly as companies in other industries, or that it will recover as rapidly as others within the industry. As a consequence, the Company cannot estimate the impact of any global or regional economic turmoil on its business, financial condition or near or longer-term financial or operational results with certainty.

It is likely that the current outbreak or continued spread of COVID-19 will cause a global recession, which will further adversely affect its business, and such adverse effects may be material. In addition, the magnitude, duration and speed of the global pandemic is uncertain. The Company cannot guarantee that it will recover as rapidly as other industries, or that it will recover as rapidly as others within the industry. As a consequence, the Company cannot estimate the impact on its business, financial condition or near or longer-term financial or operational results with certainty.

Furthermore, the ongoing conflict in Ukraine and the global response to this conflict as it relates to sanctions, trade embargos and military support has resulted in significant uncertainty as well as economic and supply chain disruptions. Should this conflict go on for an extended period of time, expand beyond Ukraine, or should other geopolitical disputes and conflicts emerge in other regions, this could result in material adverse effects to the Company.

The Company is dependent on information technology systems, which are subject to certain risks, including cybersecurity risks and data leakage risk associated with implementation and integration

The Company depend upon information technology systems in a variety of ways throughout its operations. Any significant breakdown of those systems, whether through virus, cyber-attack, security breach, theft, or other destruction, invasion or interruption, or unauthorized access to our systems, by employees, others with authorized access to our systems or unauthorized persons, could negatively impact our business and operations. These threats are increasing in number and severity and broadening in type of risk, including most recently with the Russian invasion of Ukraine and cyber attacks ongoing in that context, which may broaden.

Business Interruptions Could Adversely Affect the Company's Operations

The Company's operations are vulnerable to outages and interruptions due to fire, floods, power loss, telecommunications failures, pandemics such as COVID-19 and similar events beyond its control. There can be no assurance that they will be effective in the event of a specific disaster. In the event of a short-term power outage, the Company has installed uninterrupted power source equipment designed to protect its equipment. A long-term power outage, however, could disrupt the Company's operations. The Company has also experienced a disruption to its business as a result of the COVID-19 global pandemic which has suspended production of its programming. Although the Company currently carries business interruption insurance for potential losses (including earthquake-related losses), there can be no assurance that such insurance will be sufficient to compensate the Company for losses that may occur or that such insurance may continue to be available on affordable terms. Any losses or damages incurred by the Company could have a material adverse effect on its business, financial condition, operating results, liquidity and prospects.

The Company Faces Economic, Political, Regulatory, and Other Risks From Doing Business Internationally

The Company distributes content in the United Kingdom and derives revenues from international sources. As a result, the Company's business is subject to certain risks inherent in international business, many of which are beyond its control. These risks may include: difficulties in understanding and complying with local laws, regulations and customs in foreign jurisdictions; the loss of one or more of the major global partners that the Company relies upon to distribute its programming internationally; laws and policies adversely affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes, and changes in these laws; the impact of trade disputes; anti-corruption laws and regulations such as the Foreign Corrupt Practices Act and the U.K. Bribery Act that impose strict requirements on how the Company conducts its foreign operations and changes in these laws and regulations; changes in local regulatory requirements including regulations designed to stimulate local productions, promote and preserve local culture and economic activity (including local content quotas, investment obligations, local ownership requirements, and levies to support local film funds); or censorship requirements that may cause the Company to remove or edit popular content, leading to consumer disappointment, brand tarnishment or consumer dissatisfaction; regulatory requirements or government action against the Company's service, whether in response to enforcement of actual or purported legal and regulatory requirements or otherwise, that results in disruption or non-availability of the Company's service or particular content in the applicable jurisdiction; inability to adapt the Company's offerings successfully to differing languages, cultural tastes, and preferences in international markets; international jurisdictions where laws are less protective of intellectual property and varying attitudes towards the piracy of intellectual property; laws and policies relating to data privacy and security such as the European Union General Data Protection Regulation; establishing and protecting a new brand identity in competitive markets; financial instability and increased market concentration of buyers in foreign television markets, including in European pay television markets; the instability of foreign economies and governments; currency exchange restrictions, export controls and currency devaluation risks in some foreign countries;

the spread of communicable diseases (such as COVID-19), which may impact business in such jurisdictions; and war and acts of terrorism.

Additionally, with respect to the Company's direct-to-consumer offerings, these risks may include: differing technical architectural and payment processing systems and costs as well as consumer use and acceptance of electronic payment methods, such as credit cards; availability of reliable broadband connectivity and wide area networks in targeted areas for expansion; low usage and/or penetration of internet-connected consumer electronic devices; new and different sources of competition; and laws and policies relating to consumer protection.

Events or developments related to these and other risks associated with international trade could adversely affect the Company's revenues from international sources, which could have a material adverse effect on the Company's business, financial condition, operating results, liquidity and prospects. The Company is managing and adjusting its international business to address varied content offerings, consumer customs and practices, in particular those dealing with e-commerce and streaming video, as well as differing and changing legal and regulatory environments. As online streaming grows in international markets, governments may look to introduce new or extend legacy regulations to these services, in particular those related to broadcast media, consumer privacy and tax. While the Company believes its legal and regulatory positions are consistent with the laws and regulations in the jurisdictions in which it conducts its business, it is possible that it will be required to comply with new regulations or legislation or new interpretations of existing regulations or legislation. In such an event, increased jurisdictional legal or regulatory oversight and/or action could cause the Company to incur additional expenses or alter the Company's business model.

New Diseases and Epidemics (Such as COVID-19)

COVID-19 was declared a worldwide pandemic by the World Health Organization on March 11, 2020, and remains ongoing. We cannot predict whether COVID-19 will cause future disruptions to the Company's business. Business disruptions as a result of COVID-19 could include delays in the production of film and television content and delays in distribution of our television and film productions. If the operation or development of one or more of the Company's properties is disrupted or suspended as a result of any restrictions or measures put in place as a result of COVID-19, it may have a material adverse impact on the Company's profitability, results of operations, financial condition and stock price.

The duration and intensity of any business disruption caused by COVID-19 (or any other disease, epidemic or pandemic) and the related financial social impact will depend on future developments, which are highly uncertain and cannot be predicted.

Our Inability to Meet Regulatory Requirements and/or Stakeholders Expectations of Disclosure, Management and Implementation of Environmental, Social And Governance ("ESG") Initiatives and Standards, Could Have an Adverse Effect on Our Business.

Perceptions with respect to environmental, social and governance approaches have changed and certain shareholders, investors, clients, members and other stakeholders agree that these issues have become a current and imminent concern. As such, perceptions of our operations held by our stakeholders may depend, in part, on the ESG initiatives and standards that we have chosen to implement, and whether or not we meet them.

Although we actively manage a broad range of ESG matters, including the potential social and environmental impact of our business, there can be no certainty that we will manage such issues effectively, or that we will successfully meet evolving regulation and/or stakeholder expectations, which in turn could affect the Company's market outlook, brand, reputation, competitiveness and financial outlook. Increased public awareness, regulatory expectations, continuing reforms pertaining to mandatory ESG-related disclosure, and growing concerns about climate change and the global transition to a low carbon economy, create a new and evolving set of compliance risks.

We have set a number of ambitious ESG targets to monitor our ESG performance and align our strategic imperatives. Effective management of these ESG targets is a component of good ESG practices, which are an important measure of corporate performance and value creation. However, our ability to achieve these targets depends on many factors and is subject to many risks that could cause our assumptions or estimates to be inaccurate and cause actual results or events to differ materially from those expressed in, or implied by, these targets. Failure to effectively manage and sufficiently report ESG matters could lead to negative business, financial, legal and regulatory consequences for the Company.

Our Success is Dependent on Our Ability to Manage Growth from Financial and Human Resources Perspectives.

The growth of our operations places a strain on financial and human resources. Our success depends on our ability to manage growth from a financial and human resources perspective. Our ability to manage future growth will depend in large part

upon a number of factors, including the ability to: build and train sales and marketing staff to create an expanding presence in the evolving marketplace for our products; attract and retain qualified technical personnel in order to continue to develop reliable and scalable products and services that respond to evolving customer needs; develop customer support capacity as sales increase, so that we can provide customer support without diverting resources from product development efforts; and expand our internal management and financial controls significantly, so that we can maintain control over our operations and provide support to other functional areas within the Company as the number of personnel and size of the Company increases. Our inability to achieve any of these objectives could harm our business and operating results.

The Company Is Subject to Payment Processing Risk

The Company's subscribers pay for its services using a variety of different payment methods, including credit and debit cards. The Company relies on internal systems as well as those of third parties to process payment. Acceptance and processing of these payment methods are subject to certain rules and regulations, including additional authentication requirements for certain payment methods, and require payment of interchange and other fees. To the extent there are increases in payment processing fees, material changes in the payment ecosystem, such as large re-issuances of payment cards, delays in receiving payments from payment processors, changes to rules or regulations concerning payments, loss of payment partners and/or disruptions or failures in the Company's payment processing systems, partner systems or payment products, including products it uses to update payment information, its revenue, operating expenses and results of operation could be adversely impacted. In certain instances, the Company leverages third parties such as its cable and other partners to bill subscribers on its behalf. If these third parties become unwilling or unable to continue processing payments on the Company's behalf, it would have to transition subscribers or otherwise find alternative methods of collecting payments, which could adversely impact subscriber acquisition and retention. In addition, from time to time, the Company encounters fraudulent use of payment methods, which could impact its results of operations and if not adequately controlled and managed could create negative consumer perceptions of its service. If the Company is unable to maintain its fraud and chargeback rate at acceptable levels, card networks may impose fines, its card approval rate may be impacted and it may be subject to additional card authentication requirements. The termination of the Company's ability to process payments on any major payment method would significantly impair its ability to operate its business.

Economic Conditions and Regulatory Changes Leading up to and Following the United Kingdom's Likely Exit From the European Union Could Have a Material Adverse Effect on the Company's Business and Results of Operations

On January 31, 2020, the United Kingdom formally withdrew from the European Union, and the United Kingdom government commenced the legal process of leaving the European Union, typically referred to as Brexit. While the full effects of Brexit will not be known for some time, Brexit could cause disruptions to, and create uncertainty surrounding, the Company's business and results of operations. The most immediate effect has been significant volatility in global equity and debt markets and currency exchange rate fluctuations. Ongoing global market volatility and a deterioration in economic conditions due to uncertainty surrounding Brexit could continue to disrupt the markets in which the Company operates and lead its customers to closely monitor their costs and delay financial spending decisions. On December 24, 2020, the United Kingdom and the European Union entered into a trade and cooperation agreement (the "**Trade and Cooperation Agreement**") which was applied on a provisional basis from January 1, 2021. Negotiations between the United Kingdom and the European Union are expected to continue in relation to the areas which are not covered by the Trade and Cooperation Agreement. The effects of Brexit will depend in part on any additional agreements the United Kingdom makes to retain access to European Union markets, either during a transitional period or more permanently. The measures could potentially disrupt the markets Trinity serves and may cause it to lose customers and employees. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Any of these effects of Brexit could materially adversely affect, through Trinity and its subsidiaries, the Company's business, results of operations and financial condition.

The Company's Leverage Could Affect Its Ability to Obtain Financing, Restrict Operational Flexibility, Restrict Payment of Dividends, Divert Cash Flow to Interest Payments, and Make It More Vulnerable to Competitors and Economic Downturns

The Company incurred a significant amount of indebtedness in connection with previous acquisitions. The Company's degree of current and future leverage, particularly if increased to complete potential acquisitions, could materially and adversely affect the Company in several ways, including:

- limiting the Company's ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions, and general corporate or other purposes;
- restricting the Company's flexibility and discretion to operate its business;
- limiting the ability of the Company to complete acquisitions or enter into other strategic transactions;

- limiting the Company's ability to declare dividends on its shares; having to dedicate a portion of the Company's cash flows from operations to the payment of interest on its existing indebtedness and not having such cash flows available for other purposes, including operations, capital expenditures, and future business opportunities;
- exposing the Company to increased interest expense on borrowings at variable rates;
- limiting the Company's flexibility to plan for, or react to, changes in its business or market conditions;
- placing the Company at a competitive disadvantage compared to its competitors that have less debt;
- making the Company vulnerable to the impact of adverse economic, industry and the Company-specific conditions; and
- making the Company unable to make capital expenditures that are important to its growth and strategies.

In addition, the Company may not be able to generate sufficient cash flows from operations to service its indebtedness, in which case it may be required to sell assets, reduce capital expenditures, reduce spending on new production, refinance all or a portion of its existing indebtedness or obtain additional financing, any of which would materially adversely affect the Company's operations and ability to implement its business strategy.

The Company Manages Liquidity Carefully to Address Fluctuating Quarterly Revenues. Any Failure of the Company to Adequately Manage Such Liquidity Could Adversely Affect Its Business and Results of Operations

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

Changes in the Methodologies, Policies, or Contractual Terms Applicable to Youtube or Other AVOD Platforms, Changes in Laws or Regulations Applicable to Such Platforms, or a Governmental or Third-Party Claim Against Youtube or Other AVOD Platforms or In Respect of The Company's Use of Such Platforms Could Have a Material Adverse Effect on The Growth and Revenues of The Company

A portion of the Company's revenue from digital distribution is derived from advertising revenue from YouTube. YouTube or other AVOD platforms, or the Company directly, may be subject to claims or proceedings initiated by a third party, including claims or proceedings relating to advertising to children, whether instituted by a governmental entity or otherwise. In any such case or even independent of any such claims or proceedings, YouTube or other AVOD platforms may, among other things, cease providing content with advertising to children, change their approach to providing content with advertising to children, including amending or otherwise modifying methodologies, policies and/or contractual terms applicable to the platform and use thereof, or remove content. In any of such instances, the Company's revenue from digital distribution and the growth of such business (including the Company) may be materially adversely impacted.

In the event that laws or regulations are changed or instituted which impact the ability of YouTube to generate advertising revenue through its service and pass a portion of such revenue on to the copyright owners of content distributed via any such platforms, the Company's revenue from digital distribution and the growth of such business (including the Company) may be materially adversely impacted.

Holding Company Structure

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

Market for Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Common Shares will be affected by such volatility. An active public market for the Common Shares might not develop or be sustained now or in the future. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited, and the share price may decline.

Reliance on Television Distribution and Financing

The Company's revenues are currently overly reliant on television distribution and financing to meet topline revenue expectations. Due to continued productions delays and weaker than expected performance by the Company, in the event this trend continues and the Company experienced a decrease in its distribution operations, the Company could suffer a significant decrease in revenue and net loss for a given period.

Global Financial Conditions

Current global financial conditions have been subject to increased volatility and access to financial markets has been severely restricted. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the value and the price of the Common Shares could continue to be adversely affected.

Climate Change May Have an Impact on Our Business.

While we seek to mitigate our business risks associated with climate change, we recognize that there are inherent climate-related risks wherever business is conducted. Any of our locations may be vulnerable to the adverse effects of climate change. Furthermore, it is more difficult to mitigate the impact of these events on our employees, as the Company's employees are geographically spread. Changing market dynamics, global policy developments, and the increasing frequency and impact of extreme weather events on critical infrastructure in the United States, Canada and elsewhere have the potential to disrupt our business, the business of our suppliers, and the business of our customers, and may cause us to experience higher attrition, losses and additional costs to maintain or resume operations. In particular, we rely on data centers to deliver our solutions, which consume significant amounts of energy. To the extent that energy prices increase as a result of carbon pricing or other measures, this could affect our cost structure.

CONTROLS AND PROCEDURES

Prior to 2022, the Company's shares traded on the TSXV, and all requirements of the TSXV were satisfied by the Company. On January 4, 2022, in advance of the closing of the Company's plan of arrangement with Trinity Pictures Distribution Limited and the Trinity shareholders, the Company's common shares were voluntary de-listed from the TSXV and, on January 14, 2022, the Company's common shares commenced trading on the NEO. It was recognized by the Company that being listed on the NEO, a Tier 1 Canadian stock exchange, would require more stringent disclosure controls and as such, the Company started by implementing a review of its internal controls as well as more stringent controls upon completing its required reporting for the fiscal year ended December 31, 2021.

When the Company was listed on the TSXV, management was not required to assess disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). As a result of the Company's listing on the NEO, the Company became subject to additional requirements under applicable securities laws relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"). Such requirements also include the evaluation of both DC&P and ICFR. Consequently, the Company took and continues to take a number of actions to improve its DC&P and ICFR. The Company is currently implementing measures designed to improve its ICFR environment and remediate the control deficiencies identified below, that in the aggregate could result in a material weakness.

In accordance with the provisions of NI 52-109, the Company will be filing certificates signed by the CEO and CFO that report on, among other items: (i) their responsibility for establishing and maintaining DC&P and ICFR for the Company; and (ii) the design of DC&P and ICFR.

Disclosure controls and procedures

The Company, under the supervision of the CEO and CFO, has designed DC&P in order to provide reasonable assurance that:

- material information relating to the Company is made known to the CEO and CFO by others; and
- information required to be disclosed by the Company in its filings, under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

In accordance with NI 52-109, an evaluation was carried out, under the supervision of the CEO and CFO, of the design of the Company's DC&P. Based on this evaluation, the CEO and CFO concluded that deficiencies existed in the design of the Company's ICFR and in the DC&P, which raises the possibility that the Company's DC&P were ineffective as of March 31, 2023.

Internal Controls over Financial Reporting

The Company, under the supervision of the CEO and CFO, is responsible for designing ICFR in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS1 as issued by the International Accounting Standards Board.

In accordance with NI 52-109, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the Company's ICFR. Based on this evaluation, the CEO and the CFO concluded that deficiencies concerning the design of the Company's ICFR exist and therefore, the Company's ICFR was potentially ineffective as of March 31, 2023. The control framework used to design and evaluate effectiveness of the Company's ICFR is established under the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 framework).

Per NI 52-109, a material weakness is a deficiency, or combination of deficiencies, in ICFR, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

In connection with the Company's evaluation of DC&P and ICFR, the following control deficiencies were identified:

- **Formalized Policies and Procedures:** The Company did not implement and maintain formalized policies or procedures relating to: (i) the alignment of decision making at various levels with the Company's overall strategy; (ii) human resources, including with respect to strategy, termination or equity compensation; (iii) the enterprise risk management process, including processes to identify and evaluate fraud risk; (iv) certain IT security and cybersecurity matters; (v) the opening and closing of accounting periods; (vi) due diligence for merger and acquisition transactions; (vii) cash management; and (viii) share based compensation.
- **User Access Controls:** The Company did not design and maintain effective user access controls to adequately restrict user access to certain financial applications and related data.

As a consequence of the aggregation of the foregoing deficiencies in the Company's DC&P and ICFR design, the Company did not have effective control activities related to the design of process-level and management review control activities. Aside from these deficiencies, management believes that the Company's audited consolidated financial statements for three months ended March 31, 2023, present fairly in all material respects, the Company's financial position, results of operations, changes in shareholders' equity and cash flows in accordance with IFRS as issued by the International Accounting Standards Board. The Company does not believe, and is not aware of any circumstance in which the potential weaknesses have impacted the Company's financial reporting and as a result, there were no material adjustments to the Company's audited consolidated financial statements for three months ended March 31, 2023. In addition, there were no changes to previously released financial results. However, if the collective deficiencies were deemed to create a material weakness, a material misstatement to our consolidated financial statements might not be prevented or detected on a timely basis.

Management's Remediation Measures

To address the deficiencies identified, management, with oversight of the Audit Committee, has implemented, or will implement, remediation measures to further address the deficiencies in the design of its DC&P and ICFR. The Company intends to complete such remedial measures by December 31, 2023.

Management has also performed an initial risk assessment using a top-down, risk-based approach with respect to the risks of material misstatement of the consolidated financial statements. In addition, compensating controls have been applied to

a number of areas where the risks of material misstatement are considered moderate to high. Management of the Company has taken a number of steps to remedy the deficiencies, including: (i) the implementation of monthly meetings between the CEO, CFO and the managing directors of the Company's direct and active subsidiaries, (ii) the implementation of monthly executive team meetings, (iii) the engagement of an external contractor to formalise the human resources function from a process and documentation perspective and to, in the future, assist the Company in developing its human resources strategy, (iv) the adoption of numerous formal human resources policies, (v) the hiring of additional employees in the finance team to, among other things, improve capacity to take on projects related to the formalization of enterprise risk management processes, and (vi) the provision, on a monthly basis, of material journals to the CFO. The Company is using, and plans to continue to use, outside resources to strengthen the business process documentation and help with management's self-assessment and testing of internal controls.

Although the Company can give no assurance that these actions will remediate these deficiencies or that additional deficiencies or a material weaknesses will not be identified in the future, management believes the foregoing efforts will, when implemented, strengthen our DC&P and ICFR. Management will take additional remedial actions as necessary as they continue to evaluate and work to improve the Company's control environment.

Changes in internal controls over financial reporting

Other than the deficiencies described above, and the remediation process described above, there were no changes to the Company's ICFR for the three months ended March 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Limitations on Effectiveness of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's management recognizes that any disclosure controls and procedures and internal control over financial reporting, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives. Because of their inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect all errors or misstatements on a timely basis.

CORPORATE INFORMATION

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ADDITIONAL INFORMATION

Additional information about the Company is available for viewing on SEDAR at www.sedar.com.