FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2024 AND 2023
(UNAUDITED)

Approved for issuance: July 11, 2024

(In thousands of Canadian dollars)

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(In thousands of Canadian dollars)

The company completes forecasting models that are used to assess our going concern assumption and liquidity needs. The forecasting models use considerable judgment applied by management and includes key assumptions and estimates regarding the timing and amounts of future revenues, expenses, and cost reduction and transformation initiatives and their impact on liquidity. The forecasting models and estimates of expected liquidity needs are sensitive to these assumptions. If, over the course of the next year, market conditions deteriorate further than anticipated, costs are higher than projected, and/or income as a result of the Online News Act and retroactive changes to the Canadian Journalism tax credit is different in amount or timing from management's forecasts, the Company may need to implement additional cost savings and transformation initiatives and/or seek additional sources of financing to ensure that the Company can continue to meet its liquidity needs.

The Company presents as an additional IFRS Accounting Standards measure, operating income before depreciation, amortization and restructuring, in the condensed consolidated statement of operations, to assist users in assessing financial performance. The Company's management and Board use this measure to evaluate consolidated operating results and to assess the ability of the Company to incur and service debt. In addition, this measure is used to make operating decisions as it is an indicator of performance including how much cash is being generated by the Company and assists in determining the need for additional cost reductions as well as the evaluation of personnel and resource allocation decisions. Operating income before depreciation, amortization and restructuring is referred to as an additional IFRS Accounting Standards measure and may not be comparable to similarly titled measures presented by other companies.

On June 21, 2019 the federal budget was approved which contained measures specific to the news media industry including a journalism tax credit whereby qualifying Canadian news organizations may apply for a refundable labour tax credit applied to the salaries of journalists. In December 2019, the Canada Revenue Agency ("CRA") issued the Application for Qualified Canadian Journalism Organization Designation and guidance related to the eligibility, qualifications and determination of the refundable labour tax credit which was further clarified in April 2020. On November 19, 2020, the Company received its designation as a Qualified Canadian Journalism Organization.

On October 2, 2019, the Government of Quebec announced a similar refundable labour tax credit to be applied to the salaries of journalists in Quebec provided an entity receives an eligibility certificate issued by Investissement Québec.

Both the federal and Quebec journalism tax credit legislation include provisions to reduce the qualifying salaries and wages eligible for the credit for other forms of assistance received. During the three and nine months ended May 31, 2024, the Company recognized a recovery of compensation expense of $1.5 million and $5.3 million, respectively, related to the journalism tax credits (2023 – $2.3 million and 5.5 million, respectively). As at May 31, 2024, the net aggregate journalism tax credit receivable of $0.4 million is included in trade and other receivables on the condensed consolidated statement of financial position (August 31, 2023 - $6.4 million). The recognition of the journalism tax credits receivable is based on the Company's interpretation of the federal budget and the related legislation. Actual amounts received may differ from the amounts currently recorded based on future CRA and/or Revenue Québec interpretations of eligibility, qualifications and determination of the tax credits.

Subsequent to May 31, 2024, Bill C-69 passed into law. Effective calendar year 2023, this amendment increases the cap on labour expenditures per eligible newsroom employee from $55,000 to $85,000 and raises the Canadian journalism tax credit rate from 25% to 35% for the next four years.

During the nine months ended May 31, 2024, the Company redeemed US$0.5 million ($0.7 million) aggregate principal amount of 10.5% New First-Lien Notes due 2028 related to the sale of property, plant and equipment (note 6).

During the nine months ended May 31, 2024, the Company redeemed $6.8 million aggregate principal amount of First-Lien Notes related to the sale of assets (note 6).

During the nine months ended May 31, 2024, the Company issued additional 10.25% Senior Secured Notes due 2027 ("Second-Lien Notes") of US$10.5 million ($14.1 million), New First-Lien Notes of US$0.3 million ($0.4

Gains related to the Company's pension benefit plans and post-retirement benefit plans recognized in the condensed consolidated statements of comprehensive loss for the three and nine months May 31, 2024 and 2023 are as follows:

	For the three months ended

	For the nine months ended

Changes to the employee benefit obligations and other liabilities for the nine months ended May 31, 2024 are as follows:

The Company has a share option plan (the "Option Plan") for its employees and officers to assist in attracting, retaining and motivating officers and employees. Changes to the number of issued and outstanding options during the nine months ended May 31, 2024 are as follows:

	Options	Weighted average exercise price
August 31, 2023	**1,956,723**	**$ 1.03**
Forfeited	**(5,845)**	
May 31, 2024	**1,950,878**	**$ 1.02**

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with existing and future financial liabilities that are and will be settled by delivering cash or another financial asset as they come due. The Company's financial obligations include long-term debt which requires principal repayments and interest payments (note 9). The Company believes that its cash on hand, cash flows from operations and undrawn available credit facilities will be sufficient to fund its projected cash flow requirements over at least the next 12 months. Cash flows from operations have been and could continue to be negatively impacted by the current economic environment and structural factors related to the industry. The news media industry is under significant competitive pressures from global technology companies resulting in the permanent closure of numerous traditional competitors. To address the competitive imbalance in the Canadian news media industry the Government of Canada recently passed the Online News Act which aims to ensure that dominant digital platforms compensate news businesses when their content is made available on their services. These factors could impact the Company's ability to generate sufficient operating cash flows to satisfy its existing and future financial liabilities. The Company manages this risk by monitoring cash flow forecasts, implementing cost reduction and transformation initiatives, deferring or eliminating discretionary spending, monitoring and maintaining compliance with the terms of the long-term debt, identifying and selling redundant assets including certain real estate assets, utilizing the New ABL Facility to provide additional liquidity and obtaining a commitment to provide further financial support from Chatham of up to $18 million, if needed for a period of no less than twelve months from the date of approval of these interim condensed consolidated financial statements. During the nine months ended May 31, 2024, the Company entered into a } " udimng et ʽ m (" era

The following amounts compose the net change in non-cash operating accounts included in cash flows from operating activities in the condensed consolidated statements of cash flows for three and nine months ended May 31, 2024 and 2023:

As at May 31, 2024, Chatham Asset Management LLC ("Chatham LLC") and certain investment funds or