POSTMEDIA NETWORK CANADA CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2024 AND 2023

Approved for issuance: January 9, 2025

JANUARY 9, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of financial condition and results of operations of Postmedia Network Canada Corp.("PNCC") as well as its direct and indirect subsidiaries, including Postmedia Network Inc. ("PMNI"), PNI Maritimes GP Inc. ("PNI Maritimes GP"), PNI Maritimes LP (collectively, "we", "our", "us", the "Company" or "Postmedia") should be read in conjunction with the condensed consolidated financial statements and related notes of Postmedia for the three months ended November 30, 2024 and 2023. The condensed consolidated financial statements of Postmedia for the three months ended November 30, 2024 and 2023 and the audited consolidated financial statements of Postmedia for the years ended August 31, 2024 and 2023 are available on SEDAR+ at ***www.sedarplus.ca****.*

All amounts are expressed in Canadian dollars unless otherwise noted. The interim condensed consolidated financial statements of Postmedia for the three ended November 30, 2024 and 2023 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). We applied the going concern basis of accounting in preparing the financial statements which is dependent upon our ability to generate sufficient profits and cash flows to ensure we have sufficient liquidity to meet our obligations as they fall due. Management is satisfied that cash flow forecasts, taking into account any reasonably possible changes in results and other uncertainties, will provide sufficient liquidity for at least the next twelve months.

This management's discussion and analysis is dated January 9, 2025 and does not reflect changes or information subsequent to this date. Additional information in respect of Postmedia is available on SEDAR+ at ***www.sedarplus.ca*****.**

Caution Regarding Forward-Looking Statements

Certain statements contained in this MD&A and documents referenced herein constitute "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws (collectively referenced herein as "forward-looking statements"), including the provincial securities legislation in Canada. These statements are subject to a number of risks described in the section entitled "Risk Factors" contained in our annual management's discussion and analysis for the years ended August 31, 2024 and 2023. These statements relate to future events or future performance and reflect the Company's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of the Company and its subsidiaries. Forward-looking statements are often, but not always, identified by the use of the words such as "may", "would", "could", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "pursue", "continue", "seek" or the plural or negative of these terms or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Company's or any of its subsidiary's objectives, plans and goals, including those related to future operating results, financial performance, and the markets and industries in which the Company and its subsidiaries operate are or involve forward-looking statements. Specific forward-looking statements in this document include, but are not limited to:

- *the Company's business strategies, operational activities and strategic priorities;*
- *the Company's strategy and operations with respect to Saltwire's publications;*
- *the Company's business strategies, operational activities and strategic priorities;*
- *the Company's strategy and operations with respect to Saltwire's publications;*
- *the future growth opportunities for digital revenue;*
- *print and digital advertising market trends;*
- *circulation revenue trends;*
- *the price of newsprint;*

- *newspaper circulation volume and production trends;*
- *seasonal advertising patterns and seasonal influence on media consumption habits;*
- *the Company's cost savings and transformation initiatives; and*
- *the Company's cash on hand and cash flows from operations, including the receipt of the Canadian journalism tax credits as described below under the heading "Recent Developments", and available borrowings under our ABL Facility.*

Forward-looking statements are based on several factors and assumptions that management believes are reasonable at the time they are made, but which may lead to actual results that differ materially from our expectations expressed in, or implied by, such forward-looking statements. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. Forward-looking statements are included in this MD&A for the purpose of assisting investors and others in understanding our business strategies, objectives and plans. Readers are cautioned that such information may not be appropriate for other purposes. In making certain forward-looking statements, we have made certain assumptions, including, without limitation, assumptions about:

- *the Company's future operating results;*
- *the future general economic and market conditions;*
- *the impact of increasing competition on the Company and industry mergers and acquisitions on the Company;*
- *changes in the industries and changes in laws and regulations related to the industries in which the Company operates;*
- *consumer and customer preferences;*
- *the ability of the Company to execute on and integrate acquisition and other growth strategies and opportunities and realize the expected benefits therefrom;*
- *changes in the markets and industries in which the Company operates and the ability of the Company to adapt to such changes;*
- *the current geopolitical landscape;*
- *general economic and industry growth rates;*
- *the economic impact of any potential recession on consumer behavior and advertising sales;*
- *that we will be able to successfully integrate, and realize synergies from, the businesses and assets that we acquired in the Saltwire Asset Purchase Transaction;*
- *that general economic conditions in Canada will not deteriorate significantly further;*
- *that we will be able to attract and retain key personnel in key positions;*
- *that we will be able to continue implementing and/or implement additional cost savings and transformation initiatives;*
- *assumptions and estimates regarding the timing and amounts of future revenues, expenses, and cost reduction and transformation initiatives and their impact on liquidity, which includes the use of the ABL Facility;*
- *assumptions including the discount rate and mortality rates, among others to measure the net defined benefit obligation;*
- *the market multiples used to calculate fair value less costs of disposal;*

Forward-looking statements are also based upon the assumption that none of the identified risk factors that could cause actual results to differ materially from the anticipated or expected results described in the forward-looking information and statements will occur.

Forward-looking statements are inherently subject to risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections, or conclusions will not prove to be accurate, that assumptions may not be correct, and that objectives, strategic goals and priorities will not be achieved. A number of known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company, could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: liquidity risks; competition from digital and other forms of media may impair our ability to generate advertising and circulation revenue; our failure to maintain our print and online newspaper readership and circulation levels would limit our ability to generate advertising and circulation revenue; we compete with alternative emerging technologies and may have to invest a significant amount of capital to address continued technological development; failure to fulfill our strategy of building our digital media and online businesses would adversely affect our business prospects; the integration of the assets acquired in the Saltwire Asset Purchase Transaction (as hereinafter defined) may not occur as planned; risks related to our indebtedness (including, without limitation: the risk that our substantial indebtedness could adversely affect our financial condition; despite our current level of indebtedness, we may be able to incur substantially more debt, which could further exacerbate the risks to our financial condition described; the terms of the First-Lien Notes and the Second-Lien Notes restrict our current and future operations, particularly our ability to respond to changes or to take certain actions; we may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful; and we may be adversely affected by foreign exchange fluctuations).

In evaluating forward-looking statements in this document or in the documents referenced herein, investors and prospective investors should specifically consider the foregoing and various other risks, uncertainties and other factors which may cause actual events, performance, or results to differ materially from any forward-looking statement.

This is not an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Please refer to a discussion of the above and other risk factors related to the business of the Company and the industry in which it operates that will continue to apply to the Company, which are discussed in our annual management's discussion and analysis for the years ended August 31, 2024 under the heading "Risk Factors" and the Company's Annual Information Form ("AIF") for the year ended August 31, 2024 available on SEDAR+ at ***www.sedarplus.ca****.*

These forward-looking statements are made as of the date of this MD&A or, in the case of documents referenced herein, as of the date of such documents, and the Company does not intend, and does not assume any obligation, to update or revise them to reflect new events or circumstances, except in accordance with applicable securities laws. Investors and prospective investors are cautioned not to place undue reliance on forward-looking statements.

Additional IFRS Accounting Standards Measure

We use operating income before depreciation, amortization and restructuring as presented in the condensed consolidated financial statements for the three months ended November 30, 2024 and 2023, to assist in assessing our financial performance. Management and the Board of Directors of Postmedia use this measure to evaluate consolidated operating results and to assess Postmedia's ability to incur and service debt. In addition, this measure is used to make operating decisions as it is an indicator of performance including of how much cash is being generated by Postmedia 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. The most directly comparable IFRS Accounting Standards financial measure is net loss.

Overview and Background

Our business consists of news and information gathering and dissemination operations, with products offered in local, regional and major metropolitan markets in Canada through print, online and mobile platforms. Our operations include an extensive distribution network, which also offers distribution services, for advertising flyers and parcels. The combination of these distribution platforms provides audiences with a variety of media through which to access and interact with our content. The breadth of our reach and the diversity of our content enable advertisers to reach their target audiences on a local, regional or national scale through the convenience of a single provider. We have the highest weekly print readership of newspapers in Canada, based on Vividata Spring 2024 survey data and represent more than 140 brands across multiple print, online, and mobile platforms.

For financial reporting purposes we have one operating segment, the Newsmedia segment, which publishes daily and non-daily newspapers and operates digital media and online assets including each newspaper's online website. The Newsmedia segment's revenue is primarily from print and digital advertising and circulation/subscription revenue.

Recent Developments

During the three months ended November 30, 2024, to ensure the success of historical local brands, the Company continued integrating the newly acquired newspapers into existing operations. This includes The Guardian, Cape Breton Post, The Chronicle Herald, The Telegram, The Newfoundland Wire, The Casket, Annapolis Valley Register, Valley Journal Advertiser, South Shore Breaker, The News, Truro News, The Tri-County Vanguard, The Valley Wire, and Journal Pioneer.

During the three months ended November 30, 2024, the Company repaid the $5.0 million Short Term Promissory Note.

The Company, alongside other news media companies, is pursuing legal action pertaining to use of its intellectual property against generative AI company OpenAI Inc.

On December 19, 2024, certain assets held-for-sale with a carrying value of $2.6 million were sold for net proceeds of $5.6 million.

We continue to identify and undertake cost reduction and transformation initiatives in an effort to address revenue decline in the legacy print business and key growth areas of digital advertising, digital subscriptions and parcel services.

The *Income Tax Act* (Canada) contains measures specific to our industry including a journalism tax credit whereby qualifying news organizations may apply for a refundable labour tax credit applied to the qualified salaries of journalists as adjusted for other forms of assistance received. During the three months ended November 30, 2024, the Company recognized a recovery of compensation expense of $3.0 million, related to the journalism tax credits (2023 – $1.5 million). As at November 30, 2024, the net aggregate journalism tax credit receivable of $7.2 million is included in trade and other receivables on the condensed consolidated statement of financial position (2023 - $7.9 million). Subsequent to November 30, 2024, the Company received $0.8 million of the aggregate journalism tax credit receivable. 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. We currently record benefits under the Journalism Tax Credit support program based on the regulations in place at the beginning of the fiscal year.

Key Factors Affecting Operating Results

Revenue is earned primarily from advertising, circulation and parcel services sources. Advertising revenue is a function of the volume, linage or impressions, of advertising sold and rates charged. Circulation revenue is derived from subscriptions for newspapers, including All Access Subscriptions (across the four platforms of print, web, tablet and smartphone), ePaper and Digital Access subscriptions, single copy sales at retail outlets and vending machines and is a function of the number of newspapers sold and the price per copy. Parcel services revenue consists of revenue from our distribution network, which offers distribution services for advertising flyers and parcels.

Our major advertising categories are print and digital advertising. Advertising is influenced by both the overall strength of the economy and significant structural changes in the newspaper industry and media in general. The continuing shift in advertising dollars from print advertising to advertising in other formats, particularly online and other digital platforms including search and social media websites, combined with periods of economic uncertainty have contributed to significant declines in print advertising and a competitive digital advertising market. We continue to believe digital revenue represents a future growth opportunity for Postmedia and as a result we are focused on various products and initiatives in this area including digital marketing services that provide customized, full-service solutions to increase a business' overall revenue including website development, search engine optimization (SEO) and search engine marketing (SEM). We anticipate the print and digital advertising markets to remain challenging and expect the current quarter trends to continue in fiscal 2025.

In the three months ended November 30, 2024, PNI Maritimes LP integrated the purchase of certain businesses and assets (the "Saltwire Assets Purchase Transaction") which expanded the Company's circulation and parcel markets.

Our principal expenses consist of compensation, newsprint, distribution and production. As a result of the continuing trends in the legacy print business, we continue to pursue additional cost reduction initiatives as described earlier in "Recent Developments".

Our operating results are affected by variations in the cost and availability of newsprint. Newsprint is the principal raw material used in the production of our newspapers and other print publications. It is a commodity that is generally subject to price volatility. We take advantage of the purchasing power that comes with the large volume of newsprint we purchase, as well as our proximity to paper mills across Canada, to minimize our total newsprint expense. Changes in newsprint prices can significantly affect our operating results. A $50 per tonne increase or decrease in the price of newsprint would be expected to affect our newsprint expense by approximately $0.6 million on an annualized basis. We do not expect significant changes in newsprint prices going forward.

Our distribution is primarily outsourced to third-party suppliers. The key drivers of our distribution expenses are fuel costs and circulation, insert and parcel volumes.

Our production expenses include the costs related to outsourced production of our newspapers, digital advertising production costs and ink and other production supplies.

Other Factors

Seasonality

Revenue has experienced, and is expected to continue to experience, seasonality due to seasonal advertising patterns and seasonal influences on media consumption habits. Historically, our advertising revenue and accounts receivable is typically highest in the first and third fiscal quarters, while expenses are relatively constant throughout the fiscal year.

Critical accounting estimates and presentation

The preparation of financial statements in accordance with IFRS Accounting Standards requires management to make estimates, assumptions and judgements that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Although these estimates, assumptions and judgements are based upon management's knowledge of the amount, event or actions; actual results could differ from those estimates, assumptions and judgements. The critical accounting estimates and presentation used in our interim condensed consolidated financial statements for the three months ended November 30, 2024 and 2023 are not materially different from those disclosed in our annual management's discussion and analysis and annual audited consolidated financial statements for the years ended August 31, 2024 and 2023.

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.

Operating Results

Postmedia's operating results for the three months ended November 30, 2024 as compared to the three months ended November 30, 2023

	2025	2024
Revenues		
Advertising	56,473	50,852
Circulation	35,936	32,588
Parcel services	13,149	12,791
Other	4,712	8,383
Total revenues	110,270	104,614
Expenses		
Compensation	35,608	35,261
Newsprint	2,872	3,250
Distribution	37,514	31,894
Production	10,639	11,274
Other operating	18,167	17,062
Operating income before depreciation, amortization and restructuring	5,470	5,873
Depreciation	2,233	3,495
Amortization	1,742	2,114
Restructuring	2,026	1,561
Operating loss	(531)	(1,297)
Interest expense	10,743	8,678
Foreign currency exchange losses	12,914	748
Net financing expense relating to employee benefit plans	289	346
Loss (gain) on disposal of right of use assets and other assets	250	(914)
(Gain) loss on derivative financial instruments and financial assets at fair value through profit and loss	(242)	86
Loss on debt refinancing	-	367
Net loss after income taxes	(24,485)	(10,608)

Revenue

Advertising

Advertising revenue increased $5.6 million, or 11.1%, to $56.5 million for the three months ended November 30, 2024 as compared to the same period in prior year, as a result of increases from print advertising of 18.1%, partially offset by a decrease in digital advertising of 1.1% and a decrease in run of paper advertising of 11.1%. The increase in print advertising was primarily due to increases in insert advertising of 68.4%, partially offset by a decrease in run of paper advertising of 11.1%. The decrease in digital advertising was primarily as a result of decreases in digital marketing services, and both programmatic and direct owned and operated digital advertising. Excluding the impact of the Saltwire Assets Purchase Transaction, advertising revenue increased $0.7 million, or 1.4%, for the three months ended November 30, 2024 as compared to the same period in prior year.

Circulation

Circulation revenue increased $3.3 million, or 10.3%, to $35.9 million for the three months ended November 30, 2024 as compared to the same period in the prior year. The increase in circulation revenue was a result of the integration of PNI Maritimes operations. Excluding the impact of the Saltwire Assets Purchase Transaction, circulation revenue decreased $1.1 million, or 3.3%, for the three months ended November 30, 2024 as compared to the same period in prior year.

Parcel services

Parcel services revenue increased $0.4 million, or 2.8%, to $13.1 million for the three months ended November 30, 2024, as compared to the same period in the prior year. The increase in parcel services revenue was a result of increases in parcel volumes.

Other

Other revenue decreased by $3.7 million, or 43.8% to $4.7 million for the three months ended November 30, 2024, as compared to the same period in the prior year. The decrease was a result of the expiry of Google News Showcase in July 2024, which is to be replaced with expected proceeds from Google via the Online News Act as described earlier in “Critical accounting estimates and presentation”, and decreases in commercial print revenues partially as a result of the divestiture of our Winnipeg properties. Excluding the impact of the Saltwire Assets Purchase Transaction, other revenue decreased $3.6 million, or 43.5%, for the three months ended November 30, 2024 as compared to the same period in prior year.

Expenses

Compensation

Compensation expenses increased $0.3 million, or 1.0%, to $35.6 million for the three months ended November 30, 2024, as compared to the same period in the prior year. The increase of $0.3 million was due to the addition of PNI Maritimes compensation expenses of $2.2 million. Excluding the impact of the Saltwire Assets Purchase Transaction, compensation expenses decreased $1.9 million, or 5.4%, for the three months ended November 30, 2024 as compared to the same period in prior year.

Newsprint

Newsprint expenses decreased $0.4 million, or 11.6%, to $2.9 million for the three months ended November 30, 2024 as compared to the same period in the prior year primarily as a result of an decrease in newsprint consumption of 20.5%, a decrease to newspaper page counts and circulation volumes, and continued usage reduction efforts, partially offset by an increase in newsprint cost per tonne of 11.2%. Newsprint expenses include newsprint purchased for production at both our owned and outsourced production facilities. Excluding the impact of the Saltwire Assets Purchase Transaction, newsprint expenses decreased $0.6 million, or 18.5%, for the three months ended November 30, 2024 as compared to the same period in prior year.

Distribution

Distribution expenses increased $5.6 million, or 17.6%, to $37.5 million for the three months ended November 30, 2024, as compared to the same period in the prior year. The increase of distribution expenses was a result of the inclusion of papers operated by PNI Maritimes and its expansion into the delivery market in the East Coast. Additionally, the increase in parcel distribution expenses was due to increased parcel revenues, as well as expanded flyer distribution services, partially offset by a reduction in newspaper circulation volumes and cost reduction initiatives. Excluding the impact of the Saltwire Assets Purchase Transaction, distribution expenses increased $3.2 million, or 9.9%, for the three months ended November 30, 2024 as compared to the same period in prior year.

Production

Production expenses decreased $0.6 million, or 5.6%, to $10.6 million for the three months ended November 30, 2024, as compared to the same period in the prior year. The decrease in production expenses was related to a decrease in digital advertising revenue. Excluding the impact of the Saltwire Assets Purchase Transaction, production expenses decreased $1.5 million, or 13.5%, to $9.8 million for the three months ended November 30, 2024 as compared to the same period in prior year.

Other operating

Other operating expenses increased $1.1 million, or 6.5%, to $18.2 million for the three months ended November 30, 2024, as compared to the same period in the prior year. The increase in other operating expenses was primarily related to increases in outside services expenses, consulting fees and technology expenses.

Operating income before depreciation, amortization and restructuring

Operating income before depreciation, amortization and restructuring decreased $0.4 million to $5.5 million for the three months ended November 30, 2024 as compared to the same period in the prior year. The decrease was as a result of a decrease in other revenue and an increase in distribution expenses, partially offset by increases in advertising and circulation revenue, all as discussed above. Excluding the impact of the Saltwire Assets Purchase Transaction, operating income before depreciation, amortization and restructuring decreased $2.7 million for the three months ended November 30, 2024 as compared to the same period in prior year.

Depreciation

Depreciation expense decreased $1.3 million to $2.2 million for the three months ended November 30, 2024 as compared to the same period in the prior year. The decrease was primarily as a result of assets that were fully depreciated during the year ended August 31, 2024.

Amortization

Amortization expense decreased $0.4 million to $1.7 million for the three months ended November 30, 2024 as compared to the same period in the prior year. The decrease was as a result of intangibles and right of use assets that were fully amortized during the year ended August 31, 2024.

Restructuring and other

Restructuring expenses decreased $0.3 million, or 30%, to $0.7 million for the three months ended November 30, 2024. Restructuring expenses included both involuntary terminations and voluntary buyouts. Other expenses increased $0.8 million, or 116%, to $1.3 million for the three months ended November 30, 2024. Other expenses included non-operating costs pertaining to the strategic exit of certain assets and acquisition related costs pertaining to PNI Maritimes LP.

Operating loss

Operating loss was $0.5 million for the three months ended November 30, 2024, as compared to $1.3 million for the same period in the prior year. The decrease in operating loss in the three months ended November 30, 2024 was primarily the result of a decrease in depreciation, amortization and restructuring expenses, partially offset by the decrease in operating income before depreciation, amortization and restructuring, all as discussed above. Excluding the impact of the Saltwire Assets Purchase Transaction, operating loss decreased $0.5 million for the three months ended November 30, 2024 as compared to the same period in prior year.

Interest expense

Interest expense increased $2.1 million to $10.7 million for the three months ended November 30, 2024, as compared to the same period in the prior year. Interest expense primarily relates to interest on our long-term debt that was recognized using the effective interest rate method, which amortizes the initial debt issuance costs and includes both cash and non-cash interest. The increase in interest expense relates to an increase in non-cash interest of $3.1 million, partially offset by a net decrease in cash interest of $1.4 million. The increase in non-cash interest was primarily due to an increase in the paid-in-kind interest on our 10.25% Senior Secured Notes due 2027 (“Second-Lien Notes”), New First-Lien Notes and New ABL Facility. The decrease in cash interest expense was primarily due to a decrease in cash interest related to the First-Lien Notes and ABL Facility.

Foreign currency exchange losses

Foreign currency exchange losses for the three months ended November 30, 2024 were $12.9 million as compared to a loss of $0.7 million in the same period in the prior year. The increase in foreign currency exchange losses was primarily due to a $10.8 million foreign exchange loss on the carrying value of our Second-Lien Notes due to the depreciation of the Canadian dollar relative to the US dollar.

Net loss after income taxes

Net loss after income taxes increased $13.9 million to $24.5 million for the three months ended November 30, 2024, as compared to the same period in the prior year. The increase in net loss after income taxes was primarily the result of an increase in foreign currency exchange losses, an increase of interest expense, and an increase of losses on disposal of right-of-use assets and other assets, partially offset by an decrease in net financing expense related to employee benefit plans and gain on derivative financial instruments.

Consolidated quarterly financial information

($ in thousands of Canadian dollars, except per share information)	Fiscal 2025	Fiscal 2024				Fiscal 2023		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenues	110,270	93,157	100,812	97,338	104,614	101,290	111,208	111,825
Net loss	(24,485)	(3,077)	(15,880)	(20,097)	(10,608)	(11,044)	(24,837)	(20,781)
Net loss Basic and diluted	$ (0.25)	$ (0.03)	$ (0.16)	$ (0.20)	$ (0.11)	$ (0.11)	$ (0.25)	$ (0.21)
Cash flows used in operating activities	9,490	(8,909)	(4,237)	1,147	(5,009)	(8,205)	(5,277)	(1,654)

Liquidity and capital resources

Our principal uses of funds are for working capital requirements, debt servicing and capital expenditures. Based on our current and anticipated level of operations, we believe that our cash on hand and cash flows from operations, which includes the receipt of the journalism tax credits as described above under the heading “Recent Developments”, and available borrowings under our ABL Facility will enable us to meet our working capital, debt servicing, capital expenditure and other funding requirements for the next twelve months. However, our ability to fund our working capital needs, debt servicing and other funding requirements depends on our future operating performance and cash flows. There are a number of factors which may adversely affect our operating performance and our ability to meet these obligations as described above under the heading “Key Factors Affecting Operating Results”. Our cash flows from operating activities may be impacted by, among other things, the overall strength of the economy, competition from digital media and other forms of media as well as competition from technology companies. 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* (Canada) which aims to help ensure that dominant digital platforms compensate news businesses when their content is made available on their services.

As at November 30, 2024, we had $1.8 million (US$1.3) million available on the New ABL Facility. In addition, Chatham Asset Management LLC (“Chatham LLC”) and certain investment funds or accounts for which Chatham LLC or its affiliates acts as an investment advisor, sub-advisor or manager (collectively, “Chatham”) has committed to provide further financial support of up to $30 million, if needed for a period to December 31, 2025.

As at November 30, 2024, we had real estate assets classified as assets held-for-sale with a carrying amount of $2.6 million. Pursuant to the New First-Lien Notes indenture, any net proceeds from an asset disposition in excess of $0.1 million will be held in a collateral account by the noteholders. When the aggregate amount of the collateral account exceeds $1.0 million it will be used to redeem an equal amount of New First-Lien Notes, unless a waiver is obtained. Subsequent to November 30, 2024, the Company sold assets held-for-sale for net proceeds of $5.6 million.

Cash flows from (used in) operating activities

Our principal sources of liquidity are cash flows from operating activities. For the three months ended November 30, 2024, our operating cash flows were inflows of $9.5 million (2024 – outflows of $5.0 million). The increase in cash inflows in the three months ended November 30, 2024 related to operating activities were $14.5 million, primarily due to a positive net change in working capital.

As at November 30, 2024 we had cash of $6.2 million (August 31, 2024 - $2.5 million).

Cash flows (used in) from investing activities

For the three months ended November 30, 2024, our investing cash flows were outflows of $0.5 million (2023 – inflows $2.0 million). The cash outflows from investing activities during the three months ended November 30, 2024 included outflows related to the purchase of property, plant and equipment of $0.1 million and purchases of intangible assets of $0.4 million. The net cash inflows from investing activities during the three months ended November 30, 2023 included inflows related to the net proceeds received from the sale of other assets of $2.4 million, partially offset by capital expenditures related to property and equipment of $0.2 million and intangible assets of $0.1 million.

Cash flows (used in) from financing activities

For the three months ended November 30, 2024, our financing cash flows were outflows of $5.2 million (2023 – inflows of $4.0 million). Net cash outflows from financing activities during the three months ended November 30, 2024 consisted of the repayment of the short term promissory note, lease payments, partially offset by advances from asset-based lending facility. The net cash inflows from financing activities during the three months ended November 30, 2023 included the refinancing transaction as described in the audited consolidated financial statements for the year ended August 31, 2024, advances from asset-based revolving credit facility and an increase in restricted cash.

Indebtedness

As at November 30, 2024, we had US$15.5 million New First-Lien Notes outstanding, US$208.6 million Second-Lien Notes outstanding, $22.9 million Unsecured Promissory Notes and US$19.8 million drawn on the New ABL Facility (August 31, 2024 – $15.5 million New First-Lien Notes, US$208.6 million Second-Lien Notes, $22.9 million Unsecured Promissory Notes outstanding, $5.0 million Short Term-Promissory Note, and US$18.2 million drawn on New ABL Facility). In addition, during the three months ended November 30, 2024, the Company incurred and paid in-kind interest on the New ABL Facility of US$0.5 million ($0.7 million). As at November 30, 2024, the Company's weighted average cost of borrowing was 11.22%.

The following tables set out the principal and carrying amount of our long-term debt outstanding as at November 30, 2024 and August 31, 2024. The first column of the table translates, where applicable, our US dollar debt to the Canadian equivalent based on the closing foreign exchange rate on November 30, 2024 of US$1:$1.4010 (August 31, 2024 – US$1:$1.3491).

	As at November 30, 2024			As at August 31, 2024		
($ in thousands of Canadian dollars)	Principal Outstanding	Financing fees, discounts and other	Carrying Value	Principal Outstanding	Financing fees, discounts and other	Carrying Value
First-Lien Notes	21,720	(746)	20,974	20,916	(787)	20,129
Second-Lien Notes	292,253	(106)	292,147	281,426	(113)	281,313
ABL Facility	27,676	(1,051)	26,625	24,509	(1,183)	23,326
Short-Term Promissory Note	-	-	-	5,000	-	5,000
Unsecured Promissory Note	22,870	-	22,870	22,870	-	22,870
Total	364,519	(1,903)	362,616	354,721	(2,083)	352,638

Financial Position As at November 30, 2024 and August 31, 2024

($ in thousands of Canadian dollars)	As at November 30, 2024	As at August 31, 2024
Current assets	77,050	69,785
Total assets	155,017	148,924
Current liabilities	114,723	94,021
Total liabilities	501,737	470,745
Deficiency	(346,720)	(321,821)

The increase in our current assets was primarily due to increases in cash and trade and other receivables due to the seasonality of our business. Total assets increased as a result of the increase in current assets, an increase in intangible assets and derivative financial instruments and other assets, partially offset by decreases in property and equipment, right of use assets. Current liabilities had increased as a result of increases in accounts payable and accrued liabilities, partially offset by decreases in provisions, deferred revenue, current portion of lease obligations and current portion of long-term debt. The increase in total liabilities was a result of an increase in current liabilities and the carrying value of long-term debt, partially offset by a decrease in lease obligations and employee benefit obligations.

Related Party Transactions

As at November 30, 2024, Chatham Asset Management LLC ("Chatham LLC") and certain investment funds or accounts for which Chatham LLC or its affiliates acts as an investment advisor, sub-advisor or manager (collectively, "Chatham") owns 62,323,349, or approximately 63%, of the Company's shares and 31% of the outstanding voting rights. As at November 30, 2024, the Company has $21.7 million (US$15.5 million) of New First-Lien Notes, $292.3 (US$208.6 million) of Second-Lien Notes and $22.9 million Unsecured Promissory Notes with Chatham.

During the three months ended November 30, 2024, the Company incurred expenditures of US$1.7 million ($2.3 million; 2024 – nil) , that remain unpaid to be settled in cash, in connection with the entering into of a services agreement (the "McClatchy Services Agreement") with The McClatchy Company ("McClatchy"), an affiliate of Chatham, pursuant to which McClatchy will provide a range of web development and hosting services.

Financial Instruments and Financial Instruments Risk Management

The financial instruments and financial risk management policies and related risks are the same as disclosed in the audited consolidated financial statements for the years ended August 31, 2024 and 2023, except as discussed below.

Foreign currency risk

As at November 30, 2024, approximately 94% of the outstanding principal on the Company's long-term debt was payable in US dollars (August 31, 2024 – 92%). As at November 30, 2024, the Company was exposed to foreign currency risk on the US$208.6 million of Second-Lien Notes, US$15.5 million of New First-Lien Notes and US$19.8 million on the New ABL Facility outstanding (August 31, 2024 - US$208.7 million of Second-Lien Notes, US$15.5 million of New First-Lien Notes and US$18.2 million on the New ABL Facility outstanding).

Interest rate risk

The New ABL Facility bears interest at floating rates while the New First-Lien Notes, Second-Lien Notes and Unsecured Promissory Notes bear interest at fixed rates. Therefore, changes in interest rates only expose us to cash flow interest rate risk on the portion of the New ABL Facility that is drawn, at the time of the interest rate change.

Guarantees and Off-Balance Sheet Arrangements

We do not have any significant guarantees or off-balance sheet arrangements.

Risk Factors

The risks relating to our business are described in the section entitled "Risk Factors" included in our annual management's discussion and analysis for the years ended August 31, 2024 and 2023.

Internal Controls

Disclosure controls and procedures within Postmedia have been designed to provide reasonable assurance that all relevant information is identified to its management, including the President and Chief Executive Officer ("CEO") and the Executive Vice President, Chief Financial Officer and Chief Transformation Officer ("CFO"), as appropriate, to allow required disclosures to be made in a timely fashion.

Internal controls over financial reporting have been designed by management, under the supervision of and with the participation of the CEO and CFO, to provide reasonable assurance regarding the reliability of Postmedia's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards.

The CEO and CFO have evaluated whether there were changes to Postmedia's internal control over financial reporting during the three months ended November 30, 2024, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting. There were no changes expected to have a material effect on internal control over financial reporting identified during their evaluation.

Management has limited the scope of the design of internal controls over financial reporting to exclude the controls, policies and procedures related to the Saltwire Asset Purchase Transaction, which we acquired on August 25, 2024, the operating results of which are included in the interim condensed consolidated financial statements of Postmedia for the three months ended November 30, 2024. The scope limitation is in accordance with Section 3.3 of National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim filings, which allows an issuer to limit its design of internal controls over financial reporting, policies and procedures to exclude the controls, policies and procedures of a company acquired not more than 365 days before August 31, 2025.

For the three months ended November 30, 2024, the assets acquired under the Saltwire Asset Purchase Transaction contributed the following, and is excluded by the limitation described above:

	Fiscal 2025
($ in thousands of Canadian dollars)	Q1
Total revenues	9,216
Net income	1,021

	As at November 30, 2024
Current assets	9,475
Non-current assets	2,146
Current Liabilities	8,825
Non-current liabilities	1,327

Share Capital

As at January 9, 2025 we had the following number of shares and options outstanding:

Class C voting shares……………………………	286,847
Class NC variable voting shares…………………	98,756,354
Total shares outstanding…………………………	99,043,201
Total options and restricted share units outstanding [1]…………………………………...	7,034,167

[1] The total options and restricted share units outstanding are convertible into 7,034,167 Variable Voting Shares. The total options and restricted share units outstanding include 6,479,166 that are vested and 555,001 that are unvested.