POSTMEDIA NETWORK CANADA CORP.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2024 AND 2023
(UNAUDITED)

Approved for issuance: January 9, 2025

POSTMEDIA NETWORK CANADA CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2024 AND 2023
(In thousands of Canadian dollars, except per share amounts)

	2024	2023
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 (note 3)	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 and other (note 4)	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 (note 5)	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 (note 6)	-	367
Net loss after income taxes	(24,485)	(10,608)
Loss per share		
Basic and diluted	$ (0.25)	$ (0.11)

The notes constitute an integral part of the consolidated financial statements.

POSTMEDIA NETWORK CANADA CORP.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2024 AND 2023
(In thousands of Canadian dollars)

	2024	2023
Net loss after income taxes	(24,485)	(10,608)
Amounts not subsequently reclassified to the statement of operations		
Losses on employee benefit plans (note 5)	(582)	(196)
Other comprehensive loss	(582)	(196)
Comprehensive loss	(25,067)	(10,804)

The notes constitute an integral part of the consolidated financial statements.

POSTMEDIA NETWORK CANADA CORP.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(In thousands of Canadian dollars)

	As at November 30, 2024	As at August 31, 2024
ASSETS		
Current Assets		
Cash	6,203	2,454
Trade and other receivables	58,990	53,931
Assets held-for-sale (note 13)	2,560	2,560
Inventory	1,973	2,318
Prepaid expenses and other assets	7,324	8,522
Total current assets	77,050	69,785
Non-Current Assets		
Property and equipment (note 6)	32,983	35,089
Intangible assets	22,012	19,868
Right of use assets	18,316	19,783
Derivative financial instruments and other assets	4,656	4,399
Total assets	155,017	148,924
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (note 7)	61,821	38,509
Provisions	1,179	1,514
Contract liabilties	16,399	16,716
Current portion of lease obligations	7,648	7,773
Current portion of long-term debt (note 6)	27,676	29,509
Total current liabilities	114,723	94,021
Non-Current Liabilities		
Long-term debt (note 6)	334,940	323,129
Employee benefit obligations and other liabilities (note 5)	34,218	34,250
Lease obligations	17,856	19,345
Total liabilities	501,737	470,745
Deficiency		
Capital stock	820,357	820,357
Contributed surplus	19,679	19,511
Deficit	(1,186,756)	(1,161,689)
Total deficiency	(346,720)	(321,821)
Total liabilities and deficiency	155,017	148,924

Subsequent Events (notes 3 and 13)

The notes constitute an integral part of the consolidated financial statements.

POSTMEDIA NETWORK CANADA CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY (UNAUDITED)

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2024 AND 2023
(In thousands of Canadian dollars)

	2024			
	Capital stock	Contributed surplus	Deficit	Total Deficiency
Balance as at August 31, 2024	820,357	19,511	(1,161,689)	(321,821)
Net loss after income taxes	-	-	(24,485)	(24,485)
Other comprehensive loss	-	-	(582)	(582)
Comprehensive loss	-	-	(25,067)	(25,067)
Share-based compensation plans (note 9)	-	168	-	168
Balance as at November 30, 2024	**820,357**	**19,679**	**(1,186,756)**	**(346,720)**

	2023			
	Capital stock	Contributed surplus	Deficit	Total Deficiency
Balance as at August 31, 2023	820,131	18,923	(1,111,360)	(272,306)
Net loss after income taxes	-	-	(10,608)	(10,608)
Other comprehensive income	-	-	(196)	(196)
Comprehensive loss	-	-	(10,804)	(10,804)
Share-based compensation plans (note 9)	-	203	-	203
Balance as at November 30, 2023	**820,131**	**19,126**	**(1,122,164)**	**(282,907)**

The notes constitute an integral part of the consolidated financial statements.

POSTMEDIA NETWORK CANADA CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2024 AND 2023
(In thousands of Canadian dollars)

	2024	2023
CASH GENERATED (UTILIZED) BY:		
OPERATING ACTIVITIES		
Net loss after income taxes	(24,485)	(10,608)
Items not affecting cash:		
Depreciation	2,233	3,495
Amortization	1,742	2,114
Loss on debt refinancing	-	367
(Gain) loss on derivative financial instruments and financial assets at fair value through profit and loss	(242)	86
Non-cash interest	9,822	7,251
Loss (gain) on disposal of right of use assets and other assets	250	(914)
Non-cash foreign currency exchange losses	12,951	1,008
Share-based compensation plans (note 9)	168	203
Net financing expense relating to employee benefit plans (note 5)	289	346
Employee benefit plan funding in excess of compensation expense (note 5)	(761)	(780)
Net change in non-cash operating accounts (note 11)	7,523	(7,577)
Cash flows from (used in) in operating activities	9,490	(5,009)
INVESTING ACTIVITIES		
Net proceeds from the sale of assets held-for-sale and other assets	-	2,365
Purchases of property and equipment	(127)	(244)
Purchases of intangible assets (note 11)	(376)	(123)
Cash flows (used in) from investing activities	(503)	1,998
FINANCING ACTIVITIES		
Advances from asset-based lending facility (note 6)	1,376	15,393
Repayment of short term promissory note (note 6)	(5,000)	-
Repayment of unsecured promissory notes (note 6)	-	(4,696)
Repayment of senior secured asset-based revolving credit facility (note 6)	-	(14,500)
Advances from senior secured asset-based revolving credit facility (note 6)	-	8,500
Advances of first lien senior secured notes (note 6)	-	20,158
Repayment of senior secured notes (note 6)	-	(24,475)
Proceeds from sale of building classified as restricted cash	-	6,968
Debt issuance costs	-	(1,740)
Lease payments	(1,614)	(1,581)
Cash flows (used in) from financing activities	(5,238)	4,027
Net change in cash for the period	3,749	1,016
Cash at beginning of period	2,454	6,191
Cash at end of period	**6,203**	**7,207**

	2024	2023
Supplemental disclosure of operating cash flows		
Interest paid	921	2,280

The notes constitute an integral part of the consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Postmedia Network Canada Corp. ("Postmedia" or the "Company") is a holding company that has a 100% interest in its subsidiary Postmedia Network Inc. ("Postmedia Network"), which in turn has a 100% interest in PNI Maritimes LP (Postmedia Network has a 99% interest in PNI Maritimes LP through its direct ownership of limited partnership units of PNI Maritimes LP and an indirect 1% interest in PNI Maritimes LP through its 100% ownership of common shares of PNI Maritimes GP Inc, which in turn has a 1% interest of PNI Maritimes LP through its ownership of a general partnership unit in PNI Maritimes LP). The Company was incorporated in April 2010, pursuant to the *Canada Business Corporations Act* (Canada). PNI Maritimes GP Inc. was incorporated, and PNI Martimes LP was formed in August 2024 pursuant to *The Corporations Act* (Manitoba) and *The Partnership Act* (Manitoba), respectively. The Company's head office and registered office is 365 Bloor Street East, 12th Floor, Toronto, Ontario.

The Company's operations consist of news and information gathering and dissemination operations, with products offered in local, regional and major metropolitan markets in Canada through print and digital platforms. The Company's operations include an extensive distribution network, which offers distribution services, for advertising flyers and parcels. The Company supports these operations through a variety of centralized shared services.

The Company has one operating segment for financial reporting purposes, the Newsmedia segment. The Newsmedia segment's revenue is primarily from print and digital advertising and circulation/subscription revenue

2. BASIS OF PRESENTATION

These interim condensed consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 – Interim Financial Reporting. Except for the changes in presentation as described below, the accounting policies applied in the preparation of these interim condensed consolidated financial statements are the same as those used in the Company's annual consolidated financial statements. In addition, these interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and accordingly should be read in conjunction with the Company's consolidated financial statements for the years ended August 31, 2024 and 2023.

The Company applies the going concern basis of accounting in preparing its financial statements which is dependent upon its ability to generate sufficient profits and cash flows to ensure it has sufficient liquidity to meet its obligations as they fall due. Management is satisfied that the Company's cash flow forecasts along with the letter of support from Chatham, taking into account any reasonably possible changes in results and other uncertainties, will provide sufficient liquidity for at least the next twelve months (note 10).

These interim condensed consolidated financial statements were approved by the Board of Directors (the "Board") on January 9, 2025.

Critical accounting estimates

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 are not materially different from those disclosed in the Company's 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* (Canada) 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.

Additional IFRS accounting standards measure

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.

Recent accounting pronouncements not yet adopted

The IASB has issued the following new standard and amendments to existing standards that will become effective in future years:

- IFRS 18, Presentation and Disclosure in Financial Statements (replacing IAS 1, Presentation of Financial Statements), with an aim to improve how information is communicated in the financial statements, with a focus on information in the statement of income (January 1, 2027).

We are assessing the impacts IFRS 18 will have on our consolidated financial statements.

3. GOVERNMENT ASSISTANCE

Journalism Tax Credits

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.

On June 20, 2024, *Bill C-69, Budget Implementation Act, 2024, No.1* (Canada) ("Bill C-69") received Royal Assent and became enacted. Retroactively effective for calendar year 2023, Bill C-69 amended the Tax Act to increase 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 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.

4. RESTRUCTURING AND OTHER

During the year ended August 31, 2024, the Company continued restructuring initiatives and during the three months ended November 30, 2024 incurred restructuring expenses of $0.7 million (2023 - $1 million), which include both involuntary terminations and voluntary buyouts, as well as non-operating costs of $1.3 million pertaining to the strategic exit of certain assets and acquisition related costs pertaining to PNI Maritimes LP (2023 - $0.6 million).

5. EMPLOYEE BENEFIT PLANS

The Company has a number of unfunded defined benefit plans that include post-retirement benefits and other long-term employee benefits. The post-retirement benefit plans are non-contributory and include health and life insurance benefits available to eligible retired employees. The other long-term employee benefit plans are non-contributory and include disability, health and life insurance benefits available to eligible active employees. The Company participates in multi-employer defined benefit pension plans, including the Colleges of Applied Arts & Technology Pension Plan (the "CAAT Pension Plan"), which provides benefits upon retirement to eligible employees.

All current service costs, administration costs and net actuarial (gains) losses related to other long-term employee benefits are included in compensation expense in the condensed consolidated statements of operations. Net financing expense is included in net financing expense relating to employee benefit plans in the condensed consolidated statements of operations.

The net defined benefit plan costs related to the Company's post-retirement benefit plans and other long-term employee benefit plans reported in net loss in the condensed consolidated statement of operations for the three months ended November 30, 2024 and 2023 are as follows:

For the three months ended November 30, 2024 and 2023

	Pension benefits		Post-retirement benefits		Other long-term employee benefits		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Current service cost	-	-	20	22	23	41	43	63
Net actuarial losses	-	-	-	-	98	94	98	94
Net financing expense	-	-	223	254	66	92	289	346
Net defined benefit plan expense	-	-	243	276	187	227	430	503
Employer contributions to the multi-employer plans	1,063	1,017	-	-	-	-	1,063	1,017
Total plan expense	1,063	1,017	243	276	187	227	1,493	1,520

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 months November 30, 2024 and 2023 are as follows:

For the three months ended November 30, 2024 and 2023

	Post-retirement benefits	
	2024	2023
Net actuarial losses recognized in other comprehensive loss (1)	582	196

(1) The discount rate used in measuring the Company's benefit obligations as at November 30, 2024 was 5.25% for post-retirement benefits (November 30, 2023 – 5.15%).

Changes to the employee benefit obligations and other liabilities for the three months ended November 30, 2024 are as follows:

	Post-retirement benefits	Other long-term employee benefits	Sub-total	Other long-term liabilities	Total
Employee benefit obligations and other liabilities as at August 31, 2024	19,890	6,483	26,373	6,661	33,034
Amounts recognized in the statement of operations	243	187	430	109	539
Amounts recognized in other comprehensive income	582	-	582	-	582
Employer contributions to the plans	(594)	(309)	(903)	-	(903)
Payments to the CAAT Pension Plan	-	-	-	(362)	(362)
Employee benefit obligations and other liabilities as at November 30, 2024	20,121	6,361	26,482	6,408	32,890

6. LONG-TERM DEBT

					As at November 30, 2024	As at August 31, 2024
	Maturity	Principal (US$)	Principal (CAD$)	Financing fees, discounts and other	Carrying value of debt	Carrying value of debt
10.5% First Lien Senior Secured Notes	November 2028	15,504	21,720	(746)	20,974	20,129
10.25% Second Lien Secured Notes	August 2027	208,603	292,253	(106)	292,147	281,313
Asset-Based Lending Facility	November 2026	19,754	27,676	(1,051)	26,625	23,326
Short Term Promissory Note	August 2025	N/A	-	-	-	5,000
Unsecured Promissory Notes	August 2027	N/A	22,870	-	22,870	22,870
Total long-term debt		243,861	364,519	(1,903)	362,616	352,638
Portion due within one year					(27,676)	(29,509)
Non-current long-term debt					334,940	323,129

The terms and conditions of long-term debt as at November 30, 2024 are the same as disclosed in the consolidated financial statements for the years ended August 31, 2024 and 2023 except as described below.

During the three months ended November 30, 2024, the Company repaid the $5 million Short Term Promissory Note.

During the three months ended November 30, 2024, the Company capitalized $0.1 million of interest related to the construction of qualifying assets (2023 - $nil, note 12).

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) (2023 - $nil).

On November 30, 2023, the Company completed a refinancing transaction (“Refinancing Transaction”) that included the following: (i) the issuance of US$14.9 million of 10.5% First-Lien Senior Secured Notes, maturing November 30, 2028, at an interest rate of 10.5% if paid in cash or 11.5% if paid-in-kind (“New First-Lien Note s”), (ii) the redemption in full of the Company’s 8.25% Senior Secured Notes due 2027 (“First-Lien Notes”) with the proceeds of the aforementioned issuance of First-Lien Notes; (iii) the partial repayment of $4.7 million of unsecured promissory notes (“Unsecured Promissory Notes) with proceeds from the aforementioned issuance of New First-Lien Notes and (iv) the entering into of a new 3 year asset-based lending facility (the “New ABL Facility”) with an aggregate commitment equal to the lesser of US$40 million and a borrowing base, with an advance at closing to be used to repay the Company’s existing asset-based lending facility (“ABL Facility) of $14.5 million in full and other transaction fees and expenses. The Company is subject to specific debt ratios related to the New First-Lien Notes and New ABL Facility, which impact variable interest rates and the method of interest payment, whether in cash or in kind; however, these ratios do not render the debt callable. As at November 30, 2024, the Company has $1.8 million (US$1.3 million) available on the New ABL Facility. The Company determined that the refinancing of the First-Lien Notes was an extinguishment of original terms and as a result the Company recognized a loss on debt refinancing of $nil in the three months ended November 30, 2024 (2023 - $0.4 million). The unsecured revolving promissory notes at a balance of nil were terminated as part of the Refinancing Transaction.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at November 30, 2024	As at August 31, 2024
Trade accounts payable	19,121	13,893
Accrued liabilities	28,947	19,866
Accrued interest on long-term debt	11,869	2,866
Contingent consideration	1,884	1,884
Accounts payable and accrued liabilities	61,821	38,509

8. LOSS PER SHARE

The following table provides a reconciliation of the denominators, which are presented in whole numbers, used in computing basic and diluted loss per share for the three months ended November 30, 2024. No reconciling items in the computation of net loss exist. All outstanding options and restricted share units are anti-dilutive due to a net loss in three months ended November 30, 2024 and 2023.

	For the three months ended November 30,	
	2024	2023
Basic and diluted weighted average shares outstanding during the period	99,043,201	98,817,849

9. SHARE-BASED COMPENSATION PLANS

Share option plan

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 three months ended November 30, 2024 are as follows:

	Options	Weighted average exercise price
August 31, 2024	1,793,750	$ 1.02
Forfeited	-	
November 30, 2024	1,793,750	$ 1.02

During the three months ended November 30, 2024, the Company recorded compensation expense relating to the Option Plan of a nominal amount, (2023 – compensation expense of nominal amounts), with an offset to contributed surplus. The total unrecognized compensation expense is nil as of November 30, 2024.

Restricted share unit plan

The Company has a restricted share unit plan (the "RSU Plan"). The RSU Plan provides for the grant of restricted share units ("RSUs") to participants, being current, part-time or full-time officers, employees or consultants of the Company. The maximum aggregate number of RSUs issuable pursuant to the RSU Plan at any time shall not exceed 7.5 million shares of the Company. As at November 30, 2024, there are 5.4 million RSUs outstanding (August 31, 2024 – 5.4 million RSUs including a 1.1 million tandem reward outstanding).

Changes to the number of issued and outstanding RSUs during the three months ended November 30, 2024 are as follows:

	RSUs
August 31, 2024	5,240,417
Granted	-
Exercised	-
Forfeited	-
Cancelled	-
November 30, 2024	5,240,417

During the three months ended November 30, 2024, the Company recorded compensation expense related to the RSU Plan of $0.2 million with an offsetting credit to contributed surplus (2023 – $0.2 million). The total unrecognized compensation expense is $0.8 million, which is expected to be recognized over the next three years.

10. FINANCIAL RISK MANAGEMENT

Liquidity Risk

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 6).

The Company believes that its cash on hand, cash flows from operations and undrawn available credit facilities (note 6) 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 federal Online News Act (Canada) 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 and Short-Term Promissory Note to provide additional liquidity, and obtaining a commitment to provide further financial support from Chatham Asset Management LLC ("Chatham") of up to $30 million, if needed for a period to December 31, 2025. In addition, during the three months ending November 30, 2024, the Company repaid the Short-Term Promissory Note of $5 million. Refer to note 6 for details relating to the Refinancing Transaction.

As at November 30, 2024, the Company has US$19.8 ($27.7) million drawn on the New ABL Facility and availability of US$1.3 million ($1.8 million) (August 31, 2024 – $3.6 million and $4.9 million, respectively). As at January 9, 2025, the Company has US$21.6 million ($31.2 million) drawn and US$1.8 million ($2.6 million) available on the New ABL Facility.

If, over the course of the next year, market conditions deteriorate further than anticipated or costs are higher than projected, the Company may need to implement additional cost savings and transformation initiatives or seek additional sources of financing to ensure that the Company can continue to meet its liquidity needs.

Foreign currency risk

As at November 30, 2024, approximately 94% of the outstanding principal on the Company's long-term debt is payable in US dollars (August 31, 2024 – 92%). As at November 30, 2024, the Company is 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). Based on the long-term debt outstanding as at November 30, 2024, a $0.01 change in the period-end exchange rate of a Canadian dollar per one US dollar, holding all other variables constant, would have resulted in a $2.4 million increase or decrease to foreign currency exchange losses in the statement of operations.

Interest rate risk

The New ABL Facility and Unsecured Revolving Promissory Notes bear interest at floating rates while the First-Lien Notes, Second-Lien Notes and Unsecured Promissory Notes bear interest at fixed rates. Therefore, changes in interest rates only expose the Company to cash flow interest rate risk on the portions of the ABL Facility and Unsecured Revolving Promissory Notes that is drawn, at the time of the interest rate change. Based on the New ABL Facility and Unsecured Revolving Promissory Notes outstanding at November 30, 2024, a 0.5% change in period-end interest rates, holding all other variables constant, would have resulted in a $0.3 million increase or decrease in interest expense in the statement of operations.

11. STATEMENT OF CASH FLOWS

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 ended November 30, 2024 and 2023:

	For the three months ended November 30,	
	2024	**2023**
Trade and other receivables	(5,059)	(7,268)
Inventory	345	347
Prepaid expenses and other assets	1,198	(31)
Accounts payable, accrued liabilities and provisions	11,609	164
Contract liabilities	(317)	(552)
Other long-term liabilities	(253)	(237)
Changes in non-cash operating accounts	7,523	(7,577)

	2024	**2023**
Additions of intangible assets	2,700	123
Changes in non-cash working capital related to capital expenditures and intangible assets	(2,324)	-
Purchases of intangible assets per cash flow	376	123

12. 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 million (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 to support our strategic operations.

13. SUBSEQUENT EVENTS

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.