

POSTMEDIA NETWORK CANADA CORP.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2026 AND 2025
(UNAUDITED)

Approved for issuance: July 9, 2026

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

(In thousands of Canadian dollars, except per share amounts)

		For the three months ended May 31,		For the nine months ended May 31,	
	Note	2026	2025	2026	2025
Revenues					
Advertising		48,596	54,962	150,252	161,478
Circulation		34,121	35,826	100,375	106,812
Parcel services		14,863	12,764	48,814	39,669
Product distribution		41,194	-	41,194	-
Other		7,896	5,610	27,862	22,293
Total revenues		146,670	109,162	368,497	330,252
Expenses					
Product cost of sales		33,612	-	33,612	-
Compensation	4	39,961	35,052	108,419	104,848
Newsprint		2,099	2,769	7,000	8,153
Distribution		39,898	36,179	116,910	110,696
Production		10,106	13,089	31,700	34,121
Other operating		18,437	16,754	52,495	51,857
Operating income before depreciation, amortization, impairment, restructuring and other		2,557	5,319	18,361	20,577
Depreciation	2	10,868	3,163	17,118	9,803
Amortization	2	853	577	1,983	1,687
Impairment		-	-	1,755	1,501
Restructuring and other	6	9,950	1,016	12,280	4,517
Operating (loss) income		(19,114)	563	(14,775)	3,069
Interest expense		11,617	10,703	34,231	31,930
Foreign currency exchange losses (gains)	15	4,206	(18,191)	1,679	5,716
Net financing expense relating to employee benefit plans	7	262	289	787	866
Loss (gain) on disposal of right of use assets and assets held for sale		-	119	23	(2,707)
Loss (gain) on derivative financial instruments and financial assets at fair value through profit and loss		156	(262)	766	(169)
Net (loss) income after income taxes		(35,355)	7,905	(52,261)	(32,567)
(Loss) earnings per share					
Basic and diluted		\$ (0.36)	\$ 0.08	\$ (0.53)	\$ (0.33)

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

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

(In thousands of Canadian dollars)

		For the three months ended May 31,		For the nine months ended May 31,	
	Note	2026	2025	2026	2025
Net (loss) income after income taxes		(35,355)	7,905	(52,261)	(32,567)
Amounts not subsequently reclassified to the statement of operations					
Gain (loss) on employee benefit plans	7	231	399	(271)	(257)
Other comprehensive income (loss)		231	399	(271)	(257)
Comprehensive (loss) income		(35,124)	8,304	(52,532)	(32,824)

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)

	Note	As at May 31, 2026	As at August 31, 2025
ASSETS			
Current Assets			
Cash		7,465	3,278
Trade and other receivables	9	59,226	59,169
Assets held-for-sale		4,263	-
Inventory	10	49,156	1,615
Prepaid expenses and other assets		7,211	6,449
Total current assets		127,321	70,511
Non-Current Assets			
Property and equipment	2	6,789	22,986
Intangible assets		20,164	15,313
Right of use assets		18,324	14,543
Derivative financial instruments and other assets		4,892	4,672
Total assets		177,490	128,025
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	11	116,904	53,312
Provisions	12	10,576	1,253
Contract liabilities		19,843	16,127
Current portion of lease obligations		10,335	7,742
Total current liabilities		157,658	78,434
Non-Current Liabilities			
Long-term debt	8	408,785	388,964
Employee benefit obligations	7	28,186	30,084
Lease obligations		13,659	12,775
Other long-term liabilities		18,191	16,753
Total liabilities		626,479	527,010
Deficiency			
Capital stock		820,357	820,357
Contributed surplus		22,488	19,960
Deficit		(1,291,834)	(1,239,302)
Total deficiency		(448,989)	(398,985)
Total liabilities and deficiency		177,490	128,025

Subsequent Events (note 19)

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

POSTMEDIA NETWORK CANADA CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
(UNAUDITED)

(In thousands of Canadian dollars)

For the nine months ended May 31, 2026				
	Note	Capital stock	Contributed surplus	Total Deficiency
Balance as at August 31, 2025		820,357	19,960	(1,239,302) (398,985)
Net loss after income taxes		-	-	(52,261) (52,261)
Other comprehensive loss		-	-	(271) (271)
Comprehensive loss		-	-	(52,532) (52,532)
Share-based compensation plans	13	-	602	- 602
Capital Contribution	18	-	1,926	- 1,926
Balance as at May 31, 2026		820,357	22,488	(1,291,834) (448,989)

For the nine months ended May 31, 2025				
	Note	Capital stock	Contributed surplus	Total Deficiency
Balance as at August 31, 2024		820,357	19,511	(1,161,689) (321,821)
Net loss after income taxes		-	-	(32,567) (32,567)
Other comprehensive loss		-	-	(257) (257)
Comprehensive loss		-	-	(32,824) (32,824)
Share-based compensation plans	13	-	412	- 412
Balance as at May 31, 2025		820,357	19,923	(1,194,513) (354,233)

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

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

(In thousands of Canadian dollars)

		For the three months ended May 31,		For the nine months ended May 31,	
	Note	2026	2025	2026	2025
CASH GENERATED (UTILIZED) BY:					
OPERATING ACTIVITIES					
Net (loss) income after income taxes		(35,355)	7,905	(52,261)	(32,567)
Items not affecting cash:					
Depreciation		10,868	2,037	17,118	6,358
Amortization		853	1,703	1,983	5,132
Impairment		-	-	1,755	1,501
Loss on derivative financial instruments and financial assets at fair value through profit and loss		156	(262)	766	(169)
Non-cash interest		10,740	9,970	31,640	29,736
(Gain) loss on disposal of right of use assets and assets held for sale		-	119	23	(2,707)
Non-cash foreign currency exchange (gains) losses		4,140	(17,744)	1,473	6,363
Share-based compensation plans	14	172	162	602	412
Net financing expense relating to employee benefit plans	7	262	289	787	866
Employee benefit plan funding in excess of compensation expense	7	(771)	(904)	(2,132)	(2,461)
Net change in non-cash operating accounts	17	19,259	(738)	20,987	2,468
Cash flows from operating activities		10,324	2,537	22,741	14,932
INVESTING ACTIVITIES					
Net proceeds from the sale of assets held-for-sale and other assets		-	2,900	-	8,530
Purchases of property and equipment		(734)	(170)	(1,292)	(517)
Purchases of intangible assets	17	(1,594)	(43)	(3,876)	(1,165)
Purchases of other assets		(250)	-	(250)	-
Acquisition, net of cash acquired	3	(1,233)	-	(1,233)	-
Cash flows (used in) from investing activities		(3,811)	2,687	(6,651)	6,848
FINANCING ACTIVITIES					
Advances from asset-based lending facility	8	6,000	1,665	12,432	5,406
Repayment of asset-based lending facility	8	(7,000)	(4,783)	(15,313)	(7,935)
Repayment of short term promissory note		-	-	-	(5,000)
Repayment of first lien senior secured notes		-	(2,804)	-	(7,734)
Repayment of contingent consideration		(859)	(371)	(3,479)	(1,043)
Lease payments		(2,243)	(1,539)	(5,543)	(4,668)
Cash flows used in financing activities		(4,102)	(7,832)	(11,903)	(20,974)
Net change in cash for the period		2,411	(2,608)	4,187	806
Cash at beginning of period		5,054	5,868	3,278	2,454
Cash at end of period		7,465	3,260	7,465	3,260
		2026	2025	2026	2025
Supplemental disclosure of operating cash flows					
Interest paid		877	733	2,591	2,194

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

POSTMEDIA NETWORK CANADA CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2026 AND 2025

(In thousands of Canadian dollars, except as otherwise noted)

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 its subsidiaries, Accelerate360 Canada Inc ("Accelerate 360") and 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 has two operating segments for financial reporting purposes, as described below. The Company supports these operations through a variety of centralized shared services.

Newsmedia

The Newsmedia segment's revenue is primarily from print and digital advertising and circulation/subscription revenue. Operations consist of news and information gathering and dissemination, with products offered in local, regional, and major metropolitan markets in Canada through print and digital platforms.

Logistics and Distribution

The Logistics and Distribution segment's revenue is primarily from sales of books, magazines and other consumer products to major Canadian retailers and parcel delivery. Operations consist of warehousing, distributing, and merchandising books, magazines, and other consumer products across Canada and trucking, sorting, and distributing parcels in several Canadian provinces.

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, 2025 and 2024.

The Company has revised the depreciation and amortization presentation on the consolidated statement of operations and cash flow statement. The reclassification provides accurate information based on the Company's depreciation of right of use asset and is aligned with IFRS 16. This presentation change has no impact on operating loss. Comparative figures for the three and nine months ended May 31, 2025 have been reclassified to conform to the financial statement presentation adopted for the current year.

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 Asset Management LLC ("Chatham"), taking into account any reasonably possible changes in results and other uncertainties, will provide sufficient liquidity for at least the next 12 months (note 15).

These interim condensed consolidated financial statements were approved by the Board of Directors (the "Board") on July 9, 2026.

Material accounting policies

The accounting policies are not materially different from those disclosed in the Company's consolidated financial statements for the years ended August 31, 2025 and 2024. With the acquisition of Accelerate 360, additional accounting policies are used in the preparation of these condensed consolidated financial statements as described below.

Product distribution revenue

Product distribution revenue consists of traditional and scan-based trading sales. Revenue related to traditional sales is recognized at the time of delivery to the retailer net of the sales return reserve and rebates. Revenue related to scan-based trading sales is recognized when the merchandise is sold by the retailer to the ultimate consumer.

Product cost of sales

The carrying amount of inventories are recognized as an expense when the inventory is sold.

Inventory

Inventory, consisting primarily of printing materials, books, magazines, and other consumer products, is valued at the lower of cost and net realizable value using the first-in-first-out cost formula. Reversals of previous write-downs to net realizable value are required when there is a subsequent increase in the value of inventories.

Inventory that follows the scan-based trading model is included in the Company's consignment inventory until a sale occurs at a retailer.

Segmented Information

We determine our reportable segments based, among other things, how our chief operating decision maker, the Chief Executive Officer, regularly review our operations and performance. They review operating income before depreciation, amortization, impairment, restructuring and other as the key measure of profit for the purpose of assessing performance of each segment and to make decisions about the allocation of resources, as they believe operating income before depreciation, amortization, impairment, restructuring and other reflects segment and consolidated profitability. We follow the same accounting policies for our segment as those described in the notes to our condensed consolidated financial statements.

We make significant judgements in determining our operating segments and in determining our operating segments and in determining the appropriate allocation of shared costs between our segments. These are components that engage in business activities from which they may earn revenue and incur expenses, for which operating results are regularly reviews by our chief operating decision maker to make decisions about resources to be allocated and assess component performance, and for which discrete financial information is available.

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 have changed with the acquisition of Accelerate 360 and wind down of the flyer distribution business (note 19), additional critical accounting estimates are used in the preparation of these condensed consolidated financial statements as described below:

Sales Return Reserve

The Company measures sales return reserves for products sold to retailers with the right of return based on the amount of consideration for which the entity does not expect to be entitled. Historical sales data is used to determine, based on type of product, how many products delivered to retailers will not be purchased by the ultimate consumer. Sales return reserves are reassessed at the end of each reporting period. The Company has presented this as a reduction of trade and other receivables on the Condensed Consolidated Statements of Financial Position.

Publisher Return Reserve

The Company measures publisher returns for products purchased from suppliers with the right of return based on the amount of consideration for which the entity expects to remit. Historical sales data is used to determine, based on type of product, how many products purchased from suppliers will not be purchased by the ultimate consumer. Publisher reserves are reassessed at the end of each reporting period. The Company has presented this as a reduction of accounts payable and accrued liabilities on the Condensed Consolidated Statements of Financial Position.

Property and equipment

Property and equipment depreciation related to the Islington Printing Facility have been accelerated to account for the wind down of the operations. During the three and nine months ended May 31, 2026, the Company recognized depreciation of \$8.0 million and \$10.6 million, respectively.

Going concern and liquidity

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, impairment, restructuring and other, 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 (effective for the Company beginning on September 1, 2027).
- Amendments to the classification and measurement of financial instruments - Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments Disclosures, clarifying both the classification of financial assets linked to environmental, social and governance as well as the timing in which a financial asset or financial liability is derecognized (effective for the Company beginning on September 1, 2026).

The Company is assessing the impacts of IFRS 18 on its consolidated financial statements. The amendments to IFRS 9 and IFRS 7 are not expected to have a material impact on the Company's consolidated financial statements.

3. BUSINESS ACQUISITION

On March 2, 2026, the Company completed the purchase (the "Accelerate 360 Purchase Transaction") of all issued and outstanding shares of Accelerate 360, pursuant to the Share Purchase Agreement dated February 19, 2026 ("SPA"). The issued and outstanding shares of Accelerate 360 were purchased from The McClatchy Company, a related party to the Company. The closing date of the acquisition of Accelerate 360 was March 2, 2026 ("Closing Date"). The Company intends to continue Accelerate 360's wholesale distribution and merchandising operations across Canada in furtherance of the Company's commitment to logistics excellence.

The consideration in respect of the Accelerate 360 Purchase Transaction is summarized below:

Cash consideration	2,000
Contingent consideration	1,000
Estimated working capital adjustment	(1,038)
Acquisition consideration	1,962

For a period of two years following the Closing Date, the Company is required to assess earnout payments payable to the seller during each earnout period in accordance with the SPA. The contingent consideration may be up to a maximum of \$2 million if certain targets are met over a two year period. Earnout payments shall cease when the Company pays \$2 million, or on the second anniversary of the Closing Date, whichever is earlier. The Company determined and recognized \$1 million in contingent consideration to be paid out in relation to the earnout EBITDA, subject to change based on actual results over the earnout period.

The cash consideration paid by the Company on the Closing Date is subject to a post-closing working capital adjustment. The final working capital amount will be determined in accordance with the procedures set out in the SPA, and subject to any objections between the parties, it is expected to be finalized in the first quarter of fiscal 2027.

The preliminary fair value of the purchased assets and assumed liabilities as of March 2, 2026, is as follows:

Assets acquired	
Cash	751
Accounts receivable	6,247
Inventory	52,755
Prepaid expenses	1,321
Property and equipment	1,483
Right of use assets	6,640
Intangible assets	2,955
Total assets acquired	72,152
Liabilities assumed	
Accounts payable and accrued liabilities	59,542
Other liabilities	2,570
Lease liability	8,078
Total liabilities assumed	70,190
Net assets acquired at fair value	1,962
Acquisition Consideration	1,962
Net assets acquired at fair value	1,962
Goodwill	-

The revenue and net loss as part of the acquisition of Accelerate 360 for the period March 2, 2026 to May 31, 2026 was \$41.2 million and \$1.5 million, respectively. All the acquired intangible assets were assigned to customer relationships which have a useful life of four years.

4. 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 and nine months ended May 31, 2026, the Company recognized a recovery of compensation expense of \$3.6 million and \$12.2 million, respectively, related to the journalism tax credits (2025 – \$3.0 million and \$10.4 million, respectively). As at May 31, 2026, the net aggregate journalism tax credit receivable of \$9.9 million is included in trade and other receivables on the condensed consolidated statement of financial position (August 31, 2025 - \$11.9 million). During the three and nine months ended May 31, 2026, the Company received \$nil and \$14.2 million, respectively, 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.

5. IMPAIRMENT OF LONG LIVED ASSETS

During the three and nine months ended May 31, 2026 and 2025, the Company completed its annual impairment testing of indefinite life intangible assets. The recoverable amounts for all tests were based on fair value less costs of disposal ("FVLCD") of the cash generating units ("CGUs"), which are primarily geographical groups of newspapers by city or region, as applicable. The FVLCD was determined by applying a market multiple model using a multiple range of 2.5 to 3.5 times the adjusted trailing twelve month operating income before depreciation, amortization, impairment, and restructuring less disposal costs. Management determined this key assumption based on an average of market multiples for comparable entities. The FVLCD measurements represent a Level 3 measurement within the fair value hierarchy due to required allocation of corporate costs and digital revenues and the application of the comparable market multiples to each of the CGUs. Based on the impairment test during the three and nine months ended May 31, 2026 and 2025, the Company determined that no impairment on indefinite life intangible assets was required.

6. RESTRUCTURING AND OTHER

During the three and nine months ended May 31, 2026, the Company continued restructuring initiatives and incurred restructuring and other expenses of \$9.9 million and \$12.3 million, respectively (2025 - \$1.0 million and \$4.5 million, respectively), which include both involuntary terminations and voluntary buyouts of \$9.5 million and \$10.0 million, respectively (2025 – \$0.5 million and \$1.6 million, respectively), as well as non-operating costs of \$0.4 million and \$2.3 million, respectively, pertaining to the strategic exit of certain assets (2025 – \$0.5 million and \$2.9 million, respectively).

7. 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 and nine months ended May 31, 2026 and 2025 are as follows:

For the three months ended May 31, 2026 and 2025								
	Pension benefits		Post-retirement benefits		Other long-term employee		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
Current service cost	-	-	9	21	32	22	41	43
Net actuarial gains	-	-	-	-	(55)	(46)	(55)	(46)
Net financing expense	-	-	210	223	52	66	262	289
Net defined benefit plan expense	-	-	219	244	29	42	248	286
Employer contributions to the multi-employer plan	1,262	934	-	-	-	-	1,262	934
Total plan expense	1,262	934	219	244	29	42	1,510	1,220

For the nine months ended May 31, 2026 and 2025								
	Pension benefits		Post-retirement benefits		Other long-term employee		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
Current service cost	-	-	26	61	95	69	121	130
Net actuarial losses	-	-	-	-	14	115	14	115
Net financing expense	-	-	631	669	156	197	787	866
Net defined benefit plan expense	-	-	657	730	265	381	922	1,111
Employer contributions to the multi-employer plans	3,786	3,198	-	-	-	-	3,786	3,198
Total plan expense	3,786	3,198	657	730	265	381	4,708	4,309

(Gains) losses related to the Company's post-retirement benefit plans recognized in the condensed consolidated statements of comprehensive loss for the three and nine months ended May 31, 2026 and 2025 are as follows:

For the three months ended May 31, 2026 and 2025		
	Post-retirement benefits	
	2026	2025
Net actuarial gains recognized in other comprehensive loss	(231)	(399)

For the nine months ended May 31, 2026 and 2025		
	Post-retirement benefits	
	2026	2025
Net actuarial losses recognized in other comprehensive loss	271	257

⁽¹⁾ The discount rate used in measuring the Company's benefit obligations as at May 31, 2026 was 4.55% for post-retirement benefits (May 31, 2025 – 4.60%).

Changes to the employee benefit obligations and other liabilities for the nine months ended May 31, 2026 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, 2025	18,846	5,615	24,461	5,623	30,084
Amounts recognized in the statement of operations	657	265	922	262	1,184
Amounts recognized in other comprehensive income	271	-	271	-	271
Amounts reclassified to current liabilities	-	-	-	-	-
Employer contributions to the plans	(1,452)	(814)	(2,266)	-	(2,266)
Payments to the CAAT Pension Plan	-	-	-	(1,087)	(1,087)
Employee benefit obligations and other liabilities as at May 31, 2026	18,322	5,066	23,388	4,798	28,186

8. LONG-TERM DEBT

				As at May 31, 2026	As at August 31, 2025
	Maturity	Principal (US\$)	Principal (CAD\$)	Carrying value of debt	Carrying value of debt
10.5% First Lien Senior Secured Notes	November 2028	11,168	15,406	(574)	14,832
10.25% Second Lien Secured Notes	November 2028	245,822	339,126	(56)	339,070
Asset-Based Lending Facility	September 2028	N/A	31,930	(263)	31,667
Unsecured Promissory Notes	November 2028	N/A	23,216	-	23,216
Total long-term debt		256,990	409,678	(893)	408,785

The terms and conditions of long-term debt as at May 31, 2026 are the same as disclosed in the consolidated financial statements for the years ended August 31, 2025 and 2024 except as described below.

During the three and nine months ended May 31, 2026, the Company had net repayment of \$1.0 million and \$2.9 million, respectively from the ABL Facility. Additionally, the Company extended the maturity of the ABL Facility to September 30, 2028 and modified the ABL Facility to be denominated in Canadian Dollars.

During the three and nine months ended May 31, 2026 and 2025, the Company incurred and paid in-kind interest on the ABL Facility of \$0.6 million and \$2.1 million, respectively (2025 - \$0.6 million and \$2.0 million).

During the three months ended May 31, 2026, the Company extended the maturity of the Second-Lien Notes to November 30, 2028.

During the three months ended May 31, 2026, the Company extended the maturity of the Unsecured Promissory Notes to November 30, 2028.

9. TRADE AND OTHER RECEIVABLE

	As at May 31, 2026	As at August 31, 2025
Parcel	11,368	12,008
Advertising	30,133	27,058
Circulation	4,092	5,083
Distribution	1,325	-
Other	12,308	15,020
Trade and other receivables	59,226	59,169

Included in trade and other receivables is a reduction of \$9.9 million related to sales return reserve.

10. INVENTORY

	As at May 31, 2026	As at August 31, 2025
Magazines and books	14,484	-
Consignment inventory	29,844	-
Consumer product	3,177	-
Print	1,651	1,615
Total inventory	49,156	1,615

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at May 31, 2026	As at August 31, 2025
Trade accounts payable	66,888	24,281
Accrued liabilities	32,675	22,372
Accrued interest on long-term debt	13,333	3,151
Contingent consideration	4,008	3,508
Accounts payable and accrued liabilities	116,904	53,312

Included in accounts payable and accrued liabilities is a reduction of \$7.6 million related to publisher return reserve.

12. PROVISIONS

	Restructuring
Provisions as at August 31, 2025	1,253
Charges	10,117
Payments	(1,668)
Acquisition	874
Provisions as at May 31, 2026	10,576
Portion due within one year	(10,576)
Non-current provisions	-

13. EARNINGS (LOSS) PER SHARE

The following table provides a reconciliation of the denominators, which are presented in whole numbers, used in computing basic and diluted earnings (loss) per share for the three and nine months ended May 31, 2026 and 2025. 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 and nine months ended May 31, 2026 and 2025.

	For the three months ended May 31,	
	2026	2025
Basic and diluted weighted average shares outstanding during the period	99,043,201	99,043,201

	For the nine months ended May 31,	
	2026	2025
Basic and diluted weighted average shares outstanding during the period	99,043,201	99,043,201

14. 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 and nine months ended May 31, 2026 and 2025 are as follows:

	Options	Weighted average exercise price
August 31, 2025	1,660,000	\$ 1.02
Forfeited	-	\$ -
May 31, 2026	1,660,000	\$ 1.02

During the three and nine months ended May 31, 2026 and 2025, the Company did not recognize any compensation expense relating to the Option Plan (2025 - nil). The total unrecognized compensation expense is nil as of May 31, 2026.

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 May 31, 2026, there are 5.6 million RSUs (August 31, 2025 – 5.6 million RSUs). Changes to the number of issued and outstanding RSUs during the nine months ended May 31, 2026 are as follows:

	RSUs
August 31, 2025	5,554,969
Granted	-
Exercised	-
Forfeited	-
Cancelled	-
May 31, 2026	5,554,969

During the three and nine months ended May 31, 2026 and 2025, the Company recorded compensation expense related to the RSU Plan of \$0.2 million and \$0.6 million, respectively with an offsetting credit to contributed surplus (2025 - nil and \$0.4 million). The total unrecognized compensation expense is \$0.2 million, which is expected to be recognized over the next three years.

15. 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 8).

The Company believes that its cash on hand, cash flows from operations and undrawn available credit facilities (note 8) 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 ABL Facility to provide additional liquidity, and obtaining a commitment to provide further financial support from Chatham Asset Management LLC (“Chatham”) of up to \$30 million, for a period of not less than twelve months from the date of the approval of the May 31, 2026 condensed consolidated financial statements.

As at May 31, 2026, the Company has \$31.9 million drawn on the ABL Facility and availability of \$13.4 million (August 31, 2025 – US\$23.5 million (\$32.2 million) and US\$1.9 million (\$2.7 million), respectively). As at July 9, 2026, the Company has \$33.2 million drawn and \$14.6 million available on the ABL Facility. The ABL Facility availability increased due to the acquisition of Accelerate 360 (note 3).

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.

Material contractual obligations related to financial instruments include debt repayments and interest payments on long-term debt. These contractual undiscounted obligations as well as accounts payable, accrued liabilities, provisions, lease obligations and other long-term liabilities and their maturities as at May 31, 2026, are as follows:

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Accounts payable	66,888	66,888	-	-	-
Accrued liabilities	32,675	32,675	-	-	-
Provisions	10,576	10,576	-	-	-
Lease obligations	26,493	10,335	14,322	1,006	830
Contingent consideration	18,378	4,008	5,829	5,587	2,954
Employee benefit obligations ⁽¹⁾	4,798	1,165	2,576	1,057	-
Other Long-term liabilities	3,821	-	3,821	-	-
Long-term debt ⁽²⁾	409,678	-	409,678	-	-
Cash Interest payments ⁽³⁾	3,323	586	2,345	392	-
Paid-in-kind interest payments ⁽⁴⁾	105,105	-	105,105	-	-
Total	681,735	126,233	543,676	8,042	3,784

(1) Cash funding obligation payable to the CAAT Pension Plan related to the transferred defined benefit plans (note 7).

(2) Principal repayments of long-term debt are based on the mandatory contractual payments.

(3) Cash interest payments on long-term debt relate to the New First-Lien Notes and are based on fixed contractual interest rates.

(4) Paid-in-kind interest payments on long-term debt relate to the Second-Lien notes and the Unsecured Promissory Notes and are based on fixed contractual interest rates.

Foreign currency risk

As at May 31, 2026, approximately 87% of the outstanding principal on the Company's long-term debt is payable in US dollars (August 31, 2025 – 94%). As at May 31, 2026, the Company is exposed to foreign currency risk on the US\$245.8 million of Second-Lien Notes and US\$11.2 million of First-Lien Notes (August 31, 2025 - US\$232.7 million of Second-Lien Notes, US\$11.2 million of First-Lien Notes and US\$23.5 million on the ABL Facility outstanding). For the three and nine months ended May 31, 2026 and 2025, the Company incurred foreign exchange loss on long term debts of \$4.1 million and \$1.5 million, respectively (2025 – gain of \$17.7 million and loss of \$6.3 million). Based on the long-term debt outstanding as at May 31, 2026, 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 \$2.6 million increase or decrease to foreign currency exchange losses in the statement of operations.

Interest rate risk

The ABL Facility bears 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 that is drawn, at the time of the interest rate change. Based on the ABL Facility outstanding at May 31, 2026, a 0.5% change in period-end interest rates, holding all other variables constant, for three and nine months ended May 31, 2026 and 2025 would have resulted in a \$0.2 million and \$0.4 million increase or decrease in interest expense in the statement of operations.

16. SEGMENTED INFORMATION

Our reportable segments are Newsmedia and Logistics and Distribution (note 1) as effective on March 2, 2026 due to the acquisition of Accelerate 360 (Note 3). Both segments operate substantially in Canada. Corporate items and eliminations include our interests in businesses that are not reportable operating segments, corporate administrative functions and eliminations of inter-segment revenue and costs. Segment results include items directly attributable to a segment as well as those that have been allocated on a reasonable basis. Performance is measured based on segment operating income before depreciation, amortization, impairment, restructuring and other, as included in internal management reports. Management has determined that this measure is the most relevant in evaluating segment results and allocating resources. Information regarding the results of each reportable operating segment is as follows:

For the three months ended May 31, 2026				
	Newsmedia	Logistics and Distribution	Corporate	Consolidated Totals
Advertising	48,596	-	-	48,596
Circulation	34,121	-	-	34,121
Parcel services	-	14,863	-	14,863
Product distribution	-	41,194	-	41,194
Other	4,654	3,131	111	7,896
Total revenues	87,371	59,188	111	146,670
Operating cost	83,122	56,355	4,636	144,113
Operating income before depreciation, amortization, impairment, restructuring and other	4,249	2,833	(4,525)	2,557
Depreciation, amortization, and impairment				11,721
Restructuring and other				9,950
Interest expense				11,617
Foreign currency exchange losses				4,206
Other				418
Net loss after income taxes				(35,355)
Capital expenditures	645	-	89	734

For the nine months ended May 31, 2026				
	Newsmedia	Logistics and Distribution	Corporate	Consolidated Totals
Advertising	150,252	-	-	150,252
Circulation	100,375	-	-	100,375
Parcel services	-	48,814	-	48,814
Product distribution	-	41,194	-	41,194
Other	24,321	3,131	410	27,862
Total revenues	274,948	93,139	410	368,497
Operating cost	250,026	87,617	12,493	350,136
Operating income before depreciation, amortization, impairment, restructuring and other	24,922	5,522	(12,083)	18,361
Depreciation, amortization, and impairment				20,856
Restructuring and other				12,280
Interest expense				34,231
Foreign currency exchange losses				1,679
Other				1,576
Net loss after income taxes				(52,261)
Capital expenditures	1,138	-	154	1,292

For the three months ended May 31, 2025				
	Newsmedia	Logistics and Distribution	Corporate	Consolidated Totals
Advertising	54,962	-	-	54,962
Circulation	35,826	-	-	35,826
Parcel services	-	12,764	-	12,764
Product distribution	-	-	-	-
Other	5,505	-	105	5,610
Total revenues	96,293	12,764	105	109,162
Operating cost	89,320	11,152	3,371	103,843
Operating income before depreciation, amortization, impairment, restructuring and other	6,973	1,612	(3,266)	5,319
Depreciation, amortization, and impairment				3,740
Restructuring and other				1,016
Interest expense				10,703
Foreign currency exchange losses				(18,191)
Other				146
Net loss after income taxes				7,905
Capital expenditures	149	-	21	170

For the nine months ended May 31, 2025				
	Newsmedia	Logistics and Distribution	Corporate	Consolidated Totals
Advertising	161,478	-	-	161,478
Circulation	106,812	-	-	106,812
Parcel services	-	39,669	-	39,669
Product distribution	-	-	-	-
Other	21,900	-	393	22,293
Total revenues	290,190	39,669	393	330,252
Operating cost	261,026	34,594	14,055	309,675
Operating income before depreciation, amortization, impairment, restructuring and other	29,164	5,075	(13,662)	20,577
Depreciation, amortization, and impairment				12,991
Restructuring and other				4,517
Interest expense				31,930
Foreign currency exchange losses				5,716
Other				(2,010)
Net loss after income taxes				(32,567)
Capital expenditures	517	-	53	570

Trade receivables, inventory and total assets by reportable operating segment are as follows:

As at May 31, 2026				
	Newsmedia	Logistics and Distribution	Corporate	Consolidated Totals
Trade and other receivables	46,533	12,693	-	59,226
Inventory	1,650	47,506	-	49,156
Total assets	83,769	77,786	15,935	177,490

As at May 31, 2025				
	Newsmedia	Logistics and Distribution	Corporate	Consolidated Totals
Trade and other receivables	47,423	10,234	211	57,868
Inventory	1,647	-	-	1,647
Total assets	114,443	10,234	17,399	142,076

Total liabilities by reportable operating segment are as follows:

As at May 31, 2026				
	Newsmedia	Logistics and Distribution	Corporate	Consolidated Totals
Total liabilities	94,144	69,364	462,971	626,479

As at May 31, 2025				
	Newsmedia	Logistics and Distribution	Corporate	Consolidated Totals
Total liabilities	69,912	152	426,245	496,309

17. 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 and nine months ended May 31, 2026 and 2025:

	For the three months ended May 31,		For the nine months ended May 31,	
	2026	2025	2026	2025
Trade and other receivables	4,586	(2,394)	6,159	(3,939)
Inventory	4,892	165	5,214	671
Prepaid expenses and other assets	1,453	417	876	1,117
Accounts payable, accrued liabilities and provisions	3,686	2,842	5,846	6,322
Contract liabilities	4,921	(1,505)	3,716	(930)
Other long-term liabilities	(279)	(263)	(824)	(773)
Changes in non-cash operating accounts	19,259	(738)	20,987	2,468

	For the three months ended May 31,		For the nine months ended May 31,	
	2026	2025	2026	2025
Additions of intangible assets	1,594	2,154	3,876	8,532
Changes in non-cash working capital related to capital expenditures and intangible assets	-	(1,932)	-	(6,917)
Capitalized interest	-	(179)	-	(450)
Purchases of intangible assets per cash flow	1,594	43	3,876	1,165

18. RELATED PARTY TRANSACTIONS

As at May 31, 2026, 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 62,331,849, or approximately 63%, of the Company’s shares and 31% of the outstanding voting rights. As at May 31, 2026, the Company has \$15.4 million (US\$11.2 million) of First-Lien Notes, \$339.1 million (US\$245.8 million) of Second-Lien Notes and \$23.2 million Unsecured Promissory Notes with Chatham.

During the nine months ended May 31, 2026, the Company entered into a Termination Notice with The McClatchy Company to settle outstanding transactions of US\$7.9 million (\$10.8 million). Effective February 27, 2026, the Services Agreement with The McClatchy Company is terminated and the Company agreed to pay US\$6.5 million (\$8.9 million) to settle outstanding transactions. The Company will make an initial payment in March 2026 followed by monthly payments in June 2026 and ending in July 2028, to repay the US\$6.5 million (\$8.9 million) balance. The remaining US\$1.4 million (\$1.9 million) has been recorded as a capital contribution. During the three months ended May 31, 2026, the Company repaid US\$2.2 million (\$3.0 million).

During the three months ended May 31, 2026, the Company purchased all of the issued and outstanding shares of Accelerate 360 from The McClatchy Company (note 3).

19. SUBSEQUENT EVENTS

Subsequent to May 31, 2026, the Company began the process to wind down its flyer distribution business.