



H E A D L I N E  
M E D I A G R O U P

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Q3 - 2001

**Consolidated Financial Statements**

For the Three and Nine Months Ended

May 31, 2001

(unaudited)

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
Three and Nine Months Ended May 31, 2001**

**HIGHLIGHTS**

- Headline Media Group Inc. (the "Company") completed a \$30 million public offering on April 30, 2001. Proceeds of the offering will be used primarily to fund the ongoing operations of The Score and the launch and ongoing operations of PrideVision.
- Revenues increased 161.1% over the prior year, reflecting a full quarter's results for St. Clair Group Investments Inc. ("St. Clair"), which was acquired during the second quarter.

The Company has three business units comprised of "Broadcasting", "Sports and Entertainment Marketing" and "Other". The Broadcasting group primarily consists of the Company's specialty television networks, The Score and PrideVision. The Sports and Entertainment Marketing group consists of the operations of St. Clair, being advertising and event sponsorship program publications for sports and theatre events. The Other group primarily consists of corporate operations.

***Three Months Ended May 31, 2001***

*Revenues* for the third quarter rose to \$9.6 million, an increase of \$5.9 million or 161.1% over revenues of \$3.7 million for the same period last year. The increase was due to revenue of \$5.9 million in St. Clair, reflecting a full quarter's results. Revenue in the Broadcasting group was the same as compared to the prior year due to the discontinuance of radio broadcasting.

*Operating expenses, excluding rights fees*, were \$8.5 million during the quarter, compared to \$3.3 million in the prior year, representing an increase of \$5.2 million. Approximately \$3.9 million of the increase was attributable to the operating expenses of St. Clair, again reflecting a full quarter's results. Operating expenses were also higher in both the Broadcasting group and the Other group.

*Rights fees* were \$5.0 million during the quarter, compared to \$0.9 million in the prior year. Rights fees for the quarter were \$1.1 million in St. Clair and \$3.9 million in the Broadcasting group. The rights fees in the Broadcasting group reflect the costs associated with live event programming, in particular the exclusive Canadian broadcast rights for the XFL and WWF Smackdown! and Metal programs, as well as Major League Baseball.

*Loss before interest, taxes, depreciation and amortization* for the third quarter was \$3.9 million, compared with \$0.6 million in the same quarter last year.

*Interest expense* for the third quarter decreased by \$0.1 million to \$0.1 million from \$0.2 million in the prior year primarily due to interest income earned on the cash and cash equivalents held by the Company, partially offset by other financing fees on the long term bank indebtedness.

*Amortization expense* was \$0.3 million in the quarter compared to \$0.1 million in the prior year, representing an increase of \$0.2 million. The increase was primarily attributable to the amortization of goodwill on the acquisition of St. Clair.

*Net loss* for the third quarter was \$4.5 million or \$0.08 per share based on a weighted average 58.2 million Class A Subordinate Voting Shares outstanding, compared to a net loss of \$1.2 million loss or \$0.03 per share based on a weighted average 35.5 million Class A Subordinate Voting Shares outstanding in the prior year.

### **Broadcasting Group**

Revenues for the Broadcasting group of \$3.6 million for the quarter were the same as compared to the prior year. Advertising revenues and subscriber fee revenues increased 10.1% and 8.1%, respectively. Television advertising revenues rose by \$0.7 million as a result of increased advertising generated throughout the entire programming schedule for The Score, due in part to the broadcasts of WWF programming, including WWF Smackdown!, as well as Major League Baseball games. The increase in television advertising revenues was partially offset by no advertising revenues generated from radio broadcasts in the current period, compared to \$0.5 million in the prior year. The increase in subscriber fees of \$0.1 million reflects an increase in the total number of subscribers to 5.0 million as at May 31, 2001 from 4.6 million as at May 31, 2000. In addition, broadcast rights revenue from radio broadcasts was nil in the quarter compared to \$0.3 million in the prior year.

Operating loss before interest, taxes, depreciation and amortization for the third quarter was \$4.1 million, compared with \$0.6 million in the same quarter last year. The increased loss was primarily attributable to increased programming and production costs, including the broadcast rights fees associated with the launch of XFL and WWF Smackdown! and Metal broadcasts on The Score, as well as Major League Baseball broadcasts.

PrideVision is anticipated to launch in September, 2001. During the quarter, operating expenditures of \$0.2 million, including salaries and general and administrative costs, were incurred. In addition to these expenditures, certain marketing and capital costs have been incurred and these costs resulted in increases of \$0.4 million in deferred charges and \$0.6 million in fixed assets.

### **Sports and Entertainment Marketing Group**

In the previous quarter, the Company completed the acquisition of St. Clair.

Revenue for St. Clair was \$5.9 million in the third quarter.

St. Clair contributed an operating profit before interest, taxes, depreciation and amortization for the third quarter of \$0.9 million. The third quarter results, which reflect the peak profit period for St. Clair, include the broadcasting of various hockey and curling events.

### **Other Group**

Operating loss before interest, taxes, depreciation and amortization for the third quarter was \$0.7 million. Operating expenses included executive compensation, public relations costs and professional fees and other expenses associated with business development initiatives.

### ***Nine Months Ended May 31, 2001***

*Revenues* for the nine months ended May 31, 2001 increased by 145.3% to \$21.9 million from \$8.9 million for the same period last year. Advertising revenues increased by \$13 million. This increase was due to an increase in television advertising revenues of \$4.0 million or 94.2% over the same time last year, plus the inclusion of \$9.4 million in advertising revenues generated by St. Clair, partially offset by \$0.4 million in lower radio advertising revenues. Subscriber fee revenues increased by \$0.3 million or 10.1% as a result of an increase in the average number of subscribers. Broadcast rights revenue decreased by \$0.4 million to \$0.1 million from \$0.5 million. The decrease is as result of the expiry of the radio broadcast rights for the Toronto Blue Jays baseball games.

*Operating expenses, excluding rights fees*, increased by \$10.8 million to \$20.7 million from \$9.9 million in the prior year. Approximately \$6.5 million of the increase was attributable to the operating expenses of St. Clair. Operating expenses were \$2.6 million higher in the Broadcasting group primarily due to higher production and marketing expenditures related to live sporting events, particularly Major League Baseball and WWF programming. Other operating expenses were \$1.7 million.

*Rights fees* were \$9.9 million for the nine months ended May 31, 2001, compared to \$1.3 million in the prior year. The increase in rights fees reflects the costs associated with the exclusive Canadian broadcast rights for Major League Baseball, XFL and WWF Smackdown! and Metal programs. In addition, \$2.0 million in rights fees were incurred by St. Clair during the period.

*Loss before interest, taxes, depreciation and amortization* for the nine months ended May 31, 2001 was \$8.7 million, compared with \$2.3 million for the same period last year.

*Interest expense* for the period was \$0.7 million compared to \$0.5 million in the prior year. The increase in interest expense was a result of an increase in the average outstanding bank indebtedness during the period, an increase in other financing fees, partially offset by interest income earned on the cash and cash equivalents held by the Company.

*Amortization expense* for the period was \$0.5 million compared to \$0.3 million in the prior year. The increase is primarily due to the amortization of goodwill on the acquisition St. Clair.

*Net loss* for the nine months ended May 31, 2001 was \$10.9 million or \$0.22 per share based on a weighted average 50.3 million Class A Subordinate Voting Shares outstanding, compared to a

net loss of \$3.7 million or \$0.11 per share based on a weighted average 35.5 million Class A Subordinate Voting Shares outstanding in the prior year.

## **Liquidity and Capital Resources**

Cash flow used in operations for the three months ended May 31, 2001 increased to \$5.0 million from cash flow used in operations of \$2.1 million in the prior year. Cash flow used in operations for the nine months ended May 31, 2001 increased to \$10.2 million compared to \$3.5 million in the prior year.

Cash flow from financing activities was \$29.4 million for the three months ended May 31, 2001 compared to cash flow from financing activities of \$2.4 million in the prior year. On April 30, 2001 the Company issued 10,000,000 Class A Subordinate Voting shares at \$3.00 as part of a public offering. After deducting \$2.5 million in underwriting commissions and other expenses, the net proceeds of the public offering were \$27.5 million. The proceeds from the public offering will be used to fund the further development, expansion and operation of The Score, to fund the development, launch and operation of PrideVision, and for working capital and general corporate purposes.

Cash flow from financing activities was \$57.5 million for the nine months ended May 31, 2001 or \$52.2 million greater than the prior year. The increase in cash flow primarily reflects the completion of a private placement in November 2000 of \$26.5 million and the closing of the public offering in April 2001 of \$27.5 million.

At May 31, 2001, total long-term bank loans were \$10.4 million, an increase of \$0.2 million over the prior year's balance of \$10.2 million.

The current bank credit facility consists of a term loan for The Score, which is due on August 31, 2002, and allows The Score to borrow up to \$13 million. The proceeds from the credit facility were designated to fund operations and capital expenditures anticipated prior to The Score receiving its amendment to its CRTC license to broadcast live sporting events. Management is currently in the process of reviewing its current bank indebtedness and credit facilities in light of its current cash position and expects to renegotiate the current credit facility.

Cash flow from investment activities for the three months ended May 31, 2001 was \$0.5 million compared to cash flow used in investment activities of \$0.3 million the prior year. The increase in cash flow reflects the sale of certain investments previously held through Old Canada Investments Ltd., the Company's predecessor corporation. Cash flow used in investment activities for the nine months ended May 31, 2001 was \$4.4 million compared to \$1.7 million. The decrease in cash flow over the prior year primarily reflects the acquisitions of St. Clair and PrideVision and higher capital expenditures than in the prior year. Total capital expenditures for the nine months ended May 31, 2001 were \$1.4 million or \$0.2 million higher than the prior year's expenditures of \$1.2 million.

John Levy  
Chairman and Chief Executive Officer

**Headline Media Group Inc.**  
**Consolidated Balance Sheets**

	May 31, 2001	August 31, 2000	May 31, 2000
	(unaudited)	(audited)	(unaudited)
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 42,920,200	\$ 24,843	\$ 39,283
Marketable securities, at lower of cost and market	462,898	-	-
Accounts receivable	9,132,780	3,429,731	2,660,776
Prepaid expenses and deposits	970,417	473,412	333,826
	<b>53,486,295</b>	3,927,986	3,033,885
Fixed assets	5,129,811	4,016,419	4,067,611
Deferred charges	1,791,354	1,060,973	1,165,602
Investments	1,545,494	-	-
Goodwill (note 1)	4,548,940	-	-
	<b>\$ 66,501,894</b>	\$ 9,005,378	\$ 8,267,098
<b>Liabilities and Shareholders' Equity (Deficiency)</b>			
<b>Current liabilities:</b>			
Bank credit facility	\$ 100,000	\$ -	\$ -
Accounts payable and accrued liabilities	9,020,404	5,401,676	1,310,555
Unearned revenue	2,247,463	155,936	226,517
	<b>11,367,867</b>	5,557,612	1,537,072
Bank term loans	10,423,751	8,761,557	10,181,884
Due to related companies	-	4,382,396	4,265,498
Shareholders' equity (deficiency)			
Capital stock (note 2)	73,348,529	8,355,100	5,855,100
Warrants	301,589	-	-
Contributed surplus	320,000	320,000	320,000
Deficit	(29,259,842)	(18,371,287)	(13,892,456)
	<b>44,710,276</b>	(9,696,187)	(7,717,356)
Commitments (note 4)			
Subsequent event (note 5)			
	<b>\$ 66,501,894</b>	\$ 9,005,378	\$ 8,267,098

See accompanying notes to consolidated financial statements.

**Headline Media Group Inc.**  
**Consolidated Statements of Operations and Deficit**  
**(unaudited)**

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2001	2000	2001	2000
Revenue	\$ 9,562,223	\$ 3,661,944	\$ 21,862,084	\$ 8,912,280
Production and other direct expenses	4,885,060	2,060,227	11,669,378	5,756,143
Selling, general and administrative expenses	<u>3,566,488</u>	<u>1,283,582</u>	<u>8,994,001</u>	<u>4,114,465</u>
	<u>8,451,548</u>	<u>3,343,809</u>	<u>20,663,379</u>	<u>9,870,608</u>
Earnings (loss) before rights fees	1,110,675	318,135	1,198,705	(958,328)
Rights fees	<u>4,972,323</u>	<u>942,858</u>	<u>9,900,275</u>	<u>1,304,537</u>
Loss before interest, taxes, depreciation and amortization	<u>(3,861,648)</u>	<u>(624,723)</u>	<u>(8,701,570)</u>	<u>(2,262,865)</u>
Interest	46,753	208,905	723,082	476,570
Depreciation	250,133	244,191	869,156	716,248
Amortization	259,003	95,130	509,770	279,288
Loss on disposal of fixed assets	-	-	51,576	2,005
Loss on sale of investments	<u>33,401</u>	<u>-</u>	<u>33,401</u>	<u>-</u>
	<u>589,290</u>	<u>548,226</u>	<u>2,186,985</u>	<u>1,474,111</u>
Loss for the period	(4,450,938)	(1,172,949)	(10,888,555)	(3,736,976)
Deficit, beginning of period	(24,808,904)	(12,719,507)	(18,371,287)	(10,155,480)
Deficit, end of period	<u>\$ (29,259,842)</u>	<u>\$ (13,892,456)</u>	<u>\$ (29,259,842)</u>	<u>\$ (13,892,456)</u>
Loss per share	<u>\$ (0.08)</u>	<u>\$ (0.03)</u>	<u>\$ (0.22)</u>	<u>\$ (0.11)</u>
Weighted average number of Class A Subordinate Voting and Special Voting Shares outstanding	<u>58,232,544</u>	<u>35,533,351</u>	<u>50,252,730</u>	<u>35,533,351</u>

See accompanying notes to consolidated financial statements.

# Headline Media Group Inc.

## Consolidated Statements of Cash Flows (unaudited)

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2001	2000	2001	2000
Cash provided by (used in):				
Operations				
Loss for the period	\$ (4,450,938)	\$ (1,172,949)	\$ (10,888,555)	\$ (3,736,976)
Items not involving cash:				
Depreciation	250,133	244,191	869,156	716,248
Amortization	259,003	95,130	509,770	279,288
Loss on sale of fixed assets	-	-	51,576	2,005
Loss on sale of marketable securities	33,401	-	33,401	-
Change in non-cash working capital balances:				
Accounts receivable	(1,494,570)	(843,708)	(2,215,316)	(524,610)
Prepaid expenses and deposits	558,954	(82,442)	694,280	(191,648)
Accounts payable and accrued liabilities	437,214	11,544	(260,566)	(177,168)
Unearned revenue	(592,658)	(378,483)	988,858	86,265
	<u>(4,999,461)</u>	<u>(2,126,717)</u>	<u>(10,217,396)</u>	<u>(3,546,596)</u>
Financing:				
Issuance of common shares	27,443,918	-	56,064,079	2,500,000
Issuance of warrants	-	-	301,589	-
Due to/from related companies	(86,950)	5,430	(79,225)	10,700
Bank credit facility	(145,000)	-	(410,000)	-
Bank term loans	2,186,240	2,381,396	1,662,194	2,788,748
	<u>29,398,208</u>	<u>2,386,826</u>	<u>57,538,637</u>	<u>5,299,448</u>
Investments:				
Fixed assets, net	(691,724)	(263,972)	(1,423,624)	(1,246,834)
Net investment in private companies	264,564	-	(150,167)	-
Net proceeds from sale of marketable securities	244,593	-	244,593	-
Acquisition of St. Clair, plus bank credit facility acquired	(656,000)	-	(2,603,056)	-
Deferred charges	1,335,657	(6,659)	(493,630)	(474,577)
	<u>497,090</u>	<u>(270,631)</u>	<u>(4,425,884)</u>	<u>(1,721,411)</u>
Increase (decrease) in cash and cash equivalents	24,895,837	(10,522)	42,895,357	31,441
Cash and cash equivalents, beginning of period	18,024,363	49,805	24,843	7,842
Cash and cash equivalents, end of period	<u>\$ 42,920,200</u>	<u>\$ 39,283</u>	<u>\$ 42,920,200</u>	<u>\$ 39,283</u>
Supplemental cash flow information:				
Interest paid	\$ 170,545	\$ 174,841	\$ 669,648	\$ 373,157
Non-cash financing and investing activities:				
Issuance of common shares of The Score as repayment of related party indebtedness	-	-	4,390,121	-
Issuance of Class A Subordinate Voting Shares for investment in Cogency Semiconductor Inc.	-	-	1,034,250	-
Issuance of Class A Subordinate Voting Shares on acquisition of Old Canada Investment Corporation Limited, less cash and cash equivalents of \$2,114,632	-	-	1,784,479	-
Extinguishment of St. Clair debt	-	-	1,086,250	-
Issuance of Class A Subordinate Voting Shares on acquisition of St. Clair	-	-	563,500	-
Issuance of Class A Subordinate Voting Shares on acquisition of PrideVision	-	-	527,000	-
Issuance of Class A Subordinate Voting Shares on acquisition of 662105 B.C. Ltd. (note 1(a))	630,000	-	630,000	-

See accompanying notes to consolidated financial statements.

## Headline Media Group Inc.

Notes to Consolidated Financial Statements

May 31, 2001 (unaudited)

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The unaudited consolidated financial statements have been prepared using the same accounting policies and methods of application as those of Headline Media Group Inc. (“Headline Media Group” or the “Company”) as set out in the consolidated financial statements of the Company contained in the Prospectus dated April 20, 2001, except as otherwise noted below. Accordingly, these financial statements and accompanying notes should be read in conjunction with such audited consolidated financial statements contained therein.

### Nature of operations

Headline Media Group is a traditional and new media company whose primary assets are two specialty television service properties, each of which is focused on a distinct market segment. The Score Television Network Ltd. (“The Score”) operates the Company’s first specialty television network and provides sports news, information and highlights as well as live event sports programming. The Company’s second principal property is PrideVision Inc. (“PrideVision”), which will be targeted to the interests of the gay community, and is anticipated to launch in September, 2001. The Company also operates St. Clair Group Investments Inc. (“St. Clair”), a Canadian sports and entertainment marketing services and media company.

### 1. Acquisitions:

#### (a) 662105 B.C. Ltd.

On March 7, 2001, the Company acquired 100% of 662105 B.C. Ltd. (conducting business as Rainbow Connections Holdings) (“Rainbow Connections”) in exchange for 200,000 Class A Subordinate Voting shares. Rainbow Connections’ primary asset was a website design concept focused on the Canadian gay community.

Details of the acquisition equation are as follows:

Fair value of net assets of Rainbow Connections acquired:	
Goodwill	<u>\$665,000</u>
Consideration:	
Issuance of shares	\$630,000
Legal costs	<u>35,000</u>
	<u><u>\$665,000</u></u>

The total consideration has been allocated to goodwill, as the fair value of the identifiable assets and liabilities of Rainbow Connections was nil. Goodwill is being amortized on a straight-line basis over a period of 3 years.

## Headline Media Group Inc.

Notes to Consolidated Financial Statements

May 31, 2001 (unaudited)

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### 1. Acquisitions (continued):

#### (b) St. Clair

During the quarter, the Company revised its estimate of the integration costs related to the acquisition of St. Clair to \$904,000 resulting in increased goodwill on the acquisition.

### 2. Capital stock:

Capital stock consists of the following:

	May 31, 2001	August 31, 2000	May 31, 2000
<b>Authorized</b>			
Unlimited Senior Preference Shares			
Unlimited Junior Preference Shares			
10,000 Special Voting shares, convertible into Class A Subordinate Voting shares on a one- for-one basis at the option of the shareholder			
Unlimited Class A Subordinate Voting shares			
<b>Issued</b>			
64,868,196 Class A Subordinate Voting shares (August 31, 2000 – 39,176,668; May 31, 2000 – 35,533,351)	\$73,318,529	\$ 8,355,100	\$ 5,855,100
10,000 Special Voting shares (August 31, 2000 – Nil; May 31, 2000 – Nil)	30,000	--	--
	<u>\$73,348,529</u>	<u>\$ 8,355,100</u>	<u>\$5,855,100</u>

During the quarter, the Company issued 10,000,000 Class A Subordinate Voting shares at \$3.00 per share under a long-form prospectus. After deducting underwriting commissions and other expenses amounting to \$1,395,000 and \$1,155,000 respectively, the net amount credited to capital stock was \$27,450,000.

Details of capital stock transactions of The Score from August 31, 2000 to November 24, 2000 are as follows:

	Number of common shares	Amount
Balance, August 31, 2000	1,572,818	8,355,100
Issued as repayment of related party indebtedness	58,762	4,390,121
Issued for cash	66,929	5,000,000
Balance, November 24, 2000	1,698,509	\$ 17,745,221

## Headline Media Group Inc.

Notes to Consolidated Financial Statements

May 31, 2001 (unaudited)

Details of share capital transactions from November 24, 2000 to May 31, 2001 are as follows:

	<u>Number of shares issued</u>		<u>Amount credited to capital</u>	
	<u>Class A</u>	<u>Special Voting</u>	<u>Class A</u>	<u>Special Voting</u>
Shares issued in exchange for:				
1,698,509 common shares of The Score	42,296,710	10,000	\$17,715,221	\$30,000
Cash of \$21,465,750	7,155,250	--	21,465,750	--
Investment in Cogency Semiconductor Inc.	344,750	--	1,034,250	--
2,488,035 Class B Subordinate Voting Shares (formerly Old Canada Investments Inc. common shares)	2,488,035	--	3,899,116	--
Legal and other transaction costs	--	--	(500,000)	--
Balance, November 30, 2000	52,284,745	10,000	\$43,614,337	\$30,000
Shares issued in exchange for:				
1,307,837 Class A common shares of St. Clair	175,000	--	563,500	--
Cash of \$684,447	222,223	--	684,447	--
1,000 common shares of PrideVision	1,986,228	--	527,000	--
Legal and other transaction costs	--	--	(144,673)	--
Balance, February 28, 2001	54,668,196	10,000	\$45,244,611	\$30,000
Shares issued in exchange for:				
200,000 common shares of 662105 B.C. Ltd (note 1(a))	200,000	--	630,000	--
Cash of \$30,000,000	10,000,000	--	30,000,000	--
Legal and other transaction costs	--	--	(2,556,082)	--
Balance, May 31, 2001	64,868,196	10,000	\$73,318,529	\$30,000

## Headline Media Group Inc.

Notes to Consolidated Financial Statements

May 31, 2001 (unaudited)

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### 2. Capital stock (continued):

Stock Option Plan:

On July 27, 2000, the Board of Directors of the Company, as approved by the shareholders of the Company on November 21, 2000, adopted a stock option plan (the "Plan") under which the Board of Directors, or a committee appointed for such purpose, may from time to time grant to directors, officers, full-time employees of, or consultants to, the Company options to acquire Class A shares. 5,228,000 of the Class A shares issued and outstanding from time to time are reserved for issue under the Plan. Under the Plan, the exercise price must not be less than the market price of the Class A shares at the date of the grant. An option's maximum term is 10 years and vests over 3 years.

No compensation expense has been recognized related to stock options issued under the Plan. Any consideration paid on the exercise of stock options is credited to share capital. If stock options are repurchased, the excess of consideration paid over the carrying amount of the stock option cancelled is charged to accumulated deficit.

The following table summarizes the outstanding options of the Plan:

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<b>Nine months ended May 31, 2001</b>	<b>Number</b>	<b>Exercise price</b>	<b>Weighted average exercise price</b>	<b>Options exercisable</b>
Outstanding options, beginning of period	1,500,000	\$ 3.00	\$ 3.00	
Granted	900,000	3.00 – 3.13	3.02	
Exercised	--	--	--	
Cancelled	--	--	--	
Outstanding options, end of period	2,400,000	\$ 3.00 – 3.13	\$ 3.01	250,000

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As at May 31, 2001 the weighted average remaining contractual life of the options exercisable and outstanding was 4.2 and 4.4 years, respectively.

### 3. Segmented information:

The Company has three business units comprised of broadcasting, sports and entertainment marketing and other. The broadcasting group primarily consists of the Company's specialty television networks, The Score and PrideVision. The sports and entertainment marketing group consists of the operations of St. Clair, being advertising and event sponsorship program publications for sports and theatre events. The other group primarily consists of corporate operations. Management measures the results of operations based on the earnings before interest, taxes, depreciation and amortization provided by each operating group. The accounting policies of the segments are the same as those described in the significant accounting policies.

## Headline Media Group Inc.

Notes to Consolidated Financial Statements

May 31, 2001 (unaudited)

### 3. Segmented information (continued):

Information by operating group is as follows:

<b>Three months ended May 31, 2001</b>	<b>Broadcasting</b>	<b>Sports and Entertainment Marketing</b>	<b>Other</b>	<b>Consolidated Total</b>
Revenue				
Advertising	\$ 2,387,985	\$ 5,925,562	\$ --	\$ 8,313,547
Subscriber fees	1,233,724	--	--	1,233,724
Broadcast rights	--	--	--	--
Other	14,952	--	--	14,952
	<u>3,636,661</u>	<u>5,925,562</u>	<u>--</u>	<u>9,562,223</u>
Earnings (loss) before rights fees	(278,128)	2,060,546	(671,743)	1,110,675
Rights fees	3,842,824	1,129,499	--	4,972,323
Earnings (loss) before interest, taxes, depreciation and amortization	\$ (4,120,952)	\$ 931,047	\$ (671,743)	\$ (3,861,648)
Interest				46,753
Depreciation and amortization				509,136
Loss on disposal of fixed assets				--
Loss on sale of investments				33,401
Loss for the period				<u>\$ (4,450,938)</u>
Capital expenditures	\$ 671,104	\$ 2,943	\$ 17,677	\$ 691,724
Total assets	\$ 13,144,499	\$ 6,268,201	\$47,089,194	\$ 66,501,894

Included in the loss before interest, taxes, depreciation and amortization in the Broadcasting group for the period are \$242,000 of operating costs including programming, technical and general and administrative costs related to the start-up and launch of PrideVision.

## Headline Media Group Inc.

Notes to Consolidated Financial Statements

May 31, 2001 (unaudited)

### 3. Segmented information (continued):

Nine months ended May 31, 2001	Broadcasting	Sports and Entertainment Marketing	Other	Consolidated Total
Revenue				
Advertising	\$ 8,621,663	\$ 9,446,147	\$ --	\$ 18,067,810
Subscriber fees	3,633,171	--	--	3,633,171
Broadcast rights	138,028	--	--	138,028
Other	23,075	--	--	23,075
	12,415,937	9,446,147	--	21,862,084
Earnings (loss) before rights fees	(76,986)	2,963,926	(1,688,235)	1,198,705
Rights fees	7,924,116	1,976,159	--	9,900,275
Earnings (loss) before interest, taxes, depreciation and amortization	\$ (8,001,102)	\$ 987,767	\$(1,688,235)	\$(8,701,570)
Interest				723,082
Depreciation and amortization				1,378,926
Loss on disposal of fixed assets				51,576
Loss on sale of investments				33,401
Loss for the period				\$(10,888,555)
Capital expenditures	\$ 1,401,276	\$ 4,671	\$ 17,677	\$ 1,423,624

Included in the loss before interest, taxes, depreciation and amortization in the Broadcasting group for the period are \$273,000 of operating costs, including programming, technical and general and administrative costs related to the start-up and launch of PrideVision.

## Headline Media Group Inc.

Notes to Consolidated Financial Statements

May 31, 2001 (unaudited)

### 3. Segmented information (continued):

<b>Three months ended May 31, 2000</b>	<b>Broadcasting</b>	<b>Sports and Entertainment Marketing</b>	<b>Other</b>	<b>Consolidated Total</b>
Revenue				
Advertising	\$ 2,168,930	\$ --	\$ --	\$ 2,168,930
Subscriber fees	1,141,332	--	--	1,141,332
Broadcast rights	349,286	--	--	349,286
Other	2,396	--	--	2,396
	3,661,944	--	--	3,661,944
Earnings before rights fees	318,135	--	--	318,135
Rights fees	942,858	--	--	942,858
Loss before interest, taxes, depreciation and amortization	\$ (624,723)	\$ --	\$ --	\$ (624,723)
Interest				208,905
Depreciation and amortization				339,321
Loss on disposal of fixed assets				--
Loss for the period				\$ (1,172,949)
Capital expenditures	\$ 263,972	\$ --	\$ --	\$ 263,972
Total assets	\$ 8,267,098	\$ --	\$ --	\$ 8,267,098

## Headline Media Group Inc.

Notes to Consolidated Financial Statements

May 31, 2001 (unaudited)

### 3. Segmented information (continued):

Nine months ended May 31, 2000	Broadcasting	Sports and Entertainment Marketing	Other	Consolidated Total
Revenue				
Advertising	\$ 5,112,581	\$ --	\$ --	\$ 5,112,581
Subscriber fees	3,300,234	--	--	3,300,234
Broadcast rights	492,236	--	--	492,236
Other	7,229	--	--	7,229
	8,912,280	--	--	8,912,280
Loss before rights fees	(958,328)	--	--	(958,328)
Rights fees	1,304,537	--	--	1,304,537
Loss before interest, taxes depreciation and amortization	\$ (2,262,865)	\$ --	\$ --	\$(2,262,865)
Interest				476,570
Depreciation and amortization				995,536
Loss on disposal of fixed assets				2,005
Loss for the period				\$(3,736,976)
Capital expenditures	\$ 1,246,834	\$ --	\$ --	\$ 1,246,834

For the nine months ended May 31, 2001, there were no customers that accounted for greater than 10% of revenue. (Nine months ended May 31, 2000, two customers accounted for 12% and 10% of revenue.)

### 4. Commitments:

As at May 31, 2001, the Company has entered into various program acquisition and rights agreements, the most significant of which oblige the Company to make aggregate annual payments for fiscal years as follows:

2001	\$ 2,333,333
2002	11,600,000
2003	18,000,000
2004	5,833,334
	<u>\$37,766,667</u>

Subsequent to May 31, 2001 the Company has entered into additional program acquisition agreements related to PrideVision for approximately \$2,000,000, with the majority of commitments payable in fiscal 2002.

## **Headline Media Group Inc.**

Notes to Consolidated Financial Statements

May 31, 2001 (unaudited)

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### **5. Subsequent event:**

On June 15, 2001, as part of a reorganization of Season Ticket Networks Inc. (“Season Ticket Networks”), the Company converted its \$379,400 (\$250,000 U.S.) loan to Season Ticket Networks into 822,203 common shares of Season Ticket Networks. Immediately thereafter, Season Ticket Networks merged with UserPro and the common shares of Season Ticket Networks were exchanged for 613,889 common shares of the newly formed entity renamed Season Ticket Solutions Inc. (“Season Ticket Solutions”). As at June 15, 2001, the Company’s ownership in Season Ticket Solutions is approximately 6% of the outstanding common shares.