



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

Q3 – 2002

Consolidated Financial Statements

For the Three Months Ended

May 31, 2002

(unaudited)



**HEADLINE MEDIA GROUP INC.
ANNOUNCES THIRD QUARTER FINANCIAL RESULTS**

TORONTO, Ontario – July 25, 2002

Headline Media Group Inc. (TSX: HMG) announced its results today for the third quarter ended May 31, 2002.

HIGHLIGHTS

- Revenue in the broadcast group increased by 34.8%, reflecting a 35.8% increase in advertising revenue and a 34.4% increase in subscription revenue. Revenue in the Sports and Entertainment Marketing group declined by \$1.4 million due to lower advertising revenues, which was primarily offset by a decline in operating expenses over the prior year. Overall, consolidated revenues for the third quarter were \$9.4 million, a slight decline of \$0.2 million from \$9.6 million in the prior year.
- The Score improved its operating results by \$1.3 million in the quarter reflecting higher revenues and lower operating expenses. Loss before interest, taxes, depreciation and amortization for The Score was \$2.6 million vs. \$3.9 million in the prior year.
- The Company secured \$3.3 million in additional funding during the quarter to assist with working capital requirements.

The Company has three business units comprised of “Broadcasting”, “Sports and Entertainment Marketing” and “Corporate”. The Broadcasting group consists of the Company’s specialty television networks, The Score and PrideVision TV. The Sports and Entertainment Marketing group consists of St. Clair.

Three months ended May 31, 2002

Revenues for the third quarter were \$9.4 million, a decrease of \$0.2 million from \$9.6 million in the prior year. Revenue in the broadcast group increased by 34.8% or \$1.3 million, reflecting a \$0.9 million increase in revenues for The Score, as well as \$0.4 million in revenue generated by PrideVision TV. Revenue in the Sports and Entertainment Marketing group declined by \$1.4 million from the prior year.

Operating expenses were \$14.3 million during the quarter, compared to \$13.4 million in the prior year, representing an increase of \$0.9 million. Operating expenses in the Broadcast group were \$2.1 million higher in the quarter, reflecting operating costs associated with PrideVision TV. Operating expenses for the Sports and Entertainment Marketing group were \$1.2 million less than the prior year, which partially offsets the decline in revenues. Operating expenses for the Corporate group were consistent with the prior year at \$0.7 million.

Loss before interest, taxes, depreciation and amortization was \$4.9 million for the third quarter, compared with \$3.9 million in the same quarter last year. Excluding the operating losses for PrideVision TV, which is in its first year of operations, the operating results improved by \$1 million or 28.8% over the prior year. Excluding PrideVision TV, the loss before interest, taxes, depreciation and amortization was \$2.6 million vs. \$3.6 million in the prior year.

Interest income for the third quarter was \$0.1 million compared to \$0.3 million in the prior year. Lower interest income reflects a reduction in the cash, cash equivalents and short-term investments held by the Company during the period as compared to the prior year, as well as a decline in interest rates.

Interest expense for the third quarter was \$0.3 million compared to \$0.4 million in the prior year. The decrease in interest expense reflects a lower average loan balance outstanding during the period, partially offset by a commitment fee paid on the amount of credit facility available to the Company.

Depreciation expense was \$0.5 million in the quarter compared to \$0.3 million in the prior year, reflecting \$0.2 million in depreciation of fixed assets for PrideVision and the Corporate group, versus nil in the prior year. Fixed assets additions for PrideVision and the Corporate group occurred in the latter part of the prior fiscal year.

Amortization expense was \$0.4 million in the quarter compared to \$0.3 million in the prior year, representing an increase of \$0.1 million. The increase was primarily attributable to the amortization of start-up and license costs associated with the launch of PrideVision TV.

Net loss for the third quarter was \$6.0 million or \$0.09 per share based on a weighted average 64.9 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to a net loss of \$4.5 million or \$0.08 per share based on a weighted average 58.2 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year. The increased net loss for the quarter reflects the operations of PrideVision TV, which is in its first year of operations.

Broadcasting Group

Revenues for the Broadcasting group increased \$1.3 million to \$4.9 million for the quarter compared to \$3.6 million in the prior year. Advertising revenue increased \$0.9 million during the quarter compared to the prior year, reflecting an 18.2% increase in advertising revenue for The Score and new advertising revenue for PrideVision TV. The increase in advertising revenue for The Score reflects strong audience growth and improved ratings over the prior year. Subscriber revenue increased by \$0.4 million or 34.4% over the same quarter last year. \$0.2 million reflects an increase in the total number of subscribers for The Score to 5.3 million as at May 31, 2002 from 5.0 million as at May 31, 2001, as well as increased subscriber rates on renewed distribution contracts. PrideVision TV generated \$0.2 million in subscriber revenue during the quarter. As at May 31, 2002 PrideVision TV had approximately 20,000 paying subscribers.

Operating expenses were \$9.9 million in the quarter, compared to \$7.8 million in the prior year, representing an increase in operating expenses of \$2.1 million. Operating expenses for PrideVision were \$2.7 million in the quarter, compared to \$0.2 million in the prior year. Expenses in the prior year related to certain programming, technical and general and administrative costs related to the start-up and launch of PrideVision. The Score's operating expenses decreased by \$0.4 million to \$7.2 million in the quarter reflecting the implementation of cost containment programs and a reduction in program rights fees from the prior year. Program rights fees in the prior year included \$0.2 million in rights associated with the now defunct XFL.

Operating loss before interest, taxes, depreciation and amortization for the third quarter increased by \$0.9 million to \$5.0 million from \$4.1 million in the same quarter last year. The increased loss was primarily attributable to the increase in net operating loss for PrideVision TV of \$2.2 million, offset by a \$1.3 million improvement in the operations of The Score.

Sports and Entertainment Marketing Group

Revenue for St. Clair was \$4.5 million in the third quarter, compared to \$5.9 million in the prior year. The decrease in revenue of \$1.4 million reflects a decline in advertising revenues, as well as timing differences in the realization of revenue from certain sporting events, which occurred in previous quarters when compared to the prior year. Advertising revenue declined in both print and television mediums, as well as sponsorship revenue from sporting events, primarily due to a soft advertising market.

Operating expenses were \$3.8 million in the quarter, compared to \$5.0 million in the prior year, representing a decrease in operating expenses of \$1.2 million. The decrease primarily reflects expenses associated with the timing of certain sporting events, which have been reflected in previous quarters when compared to the prior year.

St. Clair's operating profit before interest, taxes, depreciation and amortization for the third quarter was \$0.7 million compared to \$0.9 million in the prior year.

Corporate

Operating loss before interest, taxes, depreciation and amortization for the third quarter was \$0.7 million, which was consistent with the prior year. Operating expenses included executive compensation, public relations costs, professional fees, capital taxes and other expenses.

Nine Months Ended May 31, 2002

Revenues for the nine months ended May 31, 2002 increased by \$5.1 million or 23.5% to \$27.0 million from \$21.9 million for the same period last year. Advertising revenues increased by \$4.5 million or 24.7%. This increase was due to an increase in advertising revenue in the Broadcast group of \$0.8 million, as well as an additional \$3.7 million in St. Clair revenue over the prior year, which primarily reflects a full nine months of revenue in the current year versus five months in the prior year. Subscriber fee revenue increased by \$0.8 million or 23.3%, reflecting an increase in the number of subscribers for The Score, as well as increased subscriber rates on renewed distribution contracts. In addition, subscriber fee revenue for PrideVision TV was \$0.2 million. At the end of May 2002, PrideVision TV had approximately 20,000 paying subscribers.

Operating expenses were \$40.8 million for the nine months ended May 31, 2002 compared to \$30.6 million in the prior year, representing an increase of \$10.2 million. Approximately \$3.7 million of the increase was attributable to increased operating expenses for St. Clair, reflecting nine months of operations versus five months in the prior year. Operating expenses in the Broadcast group were \$6.2 million higher in the period, reflecting \$7.6 million in operating costs associated with PrideVision TV, partially offset by reduced operating expenses of \$1.3 million in The Score. Operating expenses in the Corporate group were \$2.0 million versus \$1.7 million in the prior year, reflecting nine months of operating as a public company versus six months in the prior year.

Loss before interest, taxes, depreciation and amortization for the nine months ended May 31, 2002 was \$13.8 million, compared with \$8.7 million for the same period last year. Excluding the results for PrideVision TV, operating results improved by \$1.5 million or 22.1% over the prior year, reflecting a loss of \$6.9 million versus a loss of \$8.4 million in the prior year.

Interest income for the period was consistent with the prior year at \$0.6 million.

Interest expense for the period was \$1.1 million compared to \$1.4 million in the prior year. The decrease in interest expense reflects a decrease in the average outstanding bank indebtedness during the period and lower interest rates.

Net loss for the nine months ended May 31, 2002 was \$16.5 million or \$0.26 per share based on a weighted average 64.9 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to a net loss of \$10.9 million or \$0.22 per share based on a weighted average 50.3 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year. The increased net loss for the period reflects the operations of PrideVision TV, which is in its first year of operations.

Liquidity and Capital Resources

Cash flow used in operations for the three months ended May 31, 2002 increased to \$7.4 million from cash flow used in operations of \$5.0 million in the prior year due to higher operating losses and an increase in working capital requirements. Cash flow used in operations for the nine months ended May 31, 2002 increased to \$20.0 million from \$10.2 million in the prior year.

Cash flow from financing activities was \$2.6 million for the three months ended May 31, 2002 compared to cash flow from financing activities of \$29.4 million in the prior year. During the quarter, \$2.6 million was drawn on the Company's credit facility for The Score. Cash flow from financing activities in the prior year reflects the completion of a public offering in April 2001 for net proceeds of \$27.4 million.

Cash flow used in financing activities for the nine months ended May 31, 2002 was \$8.9 million compared to cash flow from financing activities of \$57.5 million in the prior year. In December 2001, the Company completed a credit facility for its subsidiary, The Score with its current lender and as part of the terms of the new credit facility, the Company loaned The Score \$17 million and the balance of \$12.9 million on the existing credit facility was repaid. The cash flow from financing activities in the prior year reflects the completion of a private placement in November 2000, as well as the public offering in April 2001.

At May 31, 2002, total long-term bank loans were \$2.6 million compared to \$11.5 million at August 31, 2001.

In April 2002, the Company amended its credit facility for The Score. The amended revolving credit facility allows The Score to borrow up to \$15 million in prime rate loans, BAs or letters of guarantee. Prime rate loans bear interest at the prime rate plus 3.25%. BAs bear interest at BA rates plus 4.25%.

The credit facility matures February 28, 2004 and is available in the following tranches:

To August 31, 2002	\$ 5.7 million
September 1, 2002 to November 30, 2002	\$ 8.8 million
December 1, 2002 to February 28, 2003	\$ 9.0 million
Thereafter	\$ 15.0 million

This credit facility is secured by the assets of The Score, including a pledge of The Score shares by the Company.

In April 2002, the Company's subsidiary, St. Clair entered into a credit facility agreement for an operating line of credit for up to \$1 million. The operating line of credit is payable on demand and bears interest at the rate of prime plus 1%. The line of credit is secured by a general assignment of book debts of St. Clair and a general security agreement.

In April 2002, the Company entered into a non-revolving secured standby credit facility of up to \$2.3 million with a company related by virtue of common control. The credit facility

is available to fund operations and working capital requirements commencing January 1, 2003 and matures on August 31, 2005. The credit facility bears interest at 12% per annum and is secured by the assets of PrideVision, including a pledge of the PrideVision shares by the Company.

With the above credit facilities in place and assuming the successful execution of its revised business plan, management believes there are sufficient resources to fund operations until the end of the third quarter of fiscal 2003. In the current fiscal year and continuing into fiscal 2003, the Company has introduced significant cost cutting measures to preserve cash and to strategically realign the Company's resources. The Company will require additional funding in order to fund continued operations and service the commitments under significant agreements beyond this time frame.

The Company's successful execution of its revised business plan is dependant upon a number of factors that involve risks and uncertainty. In particular, revenues in the specialty television industry, including subscription and advertising revenues, are dependant upon audience acceptance, which cannot be accurately predicted. In addition, the distribution of the Company's specialty television channel, PrideVision TV, is limited to digital subscribers. The initial subscriber base for digital services is limited and the rate and extent to which this subscriber base will grow is uncertain. Management expects the digital television market will continue to grow and that the number of subscribers to the service will increase. Early consumer acceptance is encouraging, however, it remains uncertain that the penetration rates required to ensure profitability will be achieved.

The Company is actively pursuing alternative financing with potential lenders and investors, which if successful, will, in management's view, enable the Company to achieve its business plans in the long-term. No agreements with potential lenders or investors have been reached yet and there can be no assurance that such agreements will be reached. In addition, the Company continues to review other alternatives, which could involve renegotiating existing cash commitments, further reducing its work force, a further restructuring of the business units which may include the divestiture of certain assets of the Company, or attracting a strategic investor that would assist in developing the business of the Company.

Cash flow from investment activities for the three months ended May 31, 2002 was \$2.3 million compared to cash flow from investment activities of \$0.5 million in the prior year. The increase in cash flow reflects the sale of short-term investments. Cash flow from investment activities for the nine months ended May 31, 2002 was \$17.6 million compared to cash flow used in investment activities of \$4.4 million in the prior year, reflecting the sale of short-term investments in the current year. Investment activities in the prior year included the acquisition of St. Clair. Fixed asset additions were \$0.5 million for the nine months ended May 31, 2002 compared to \$1.4 million in the prior year. Fixed asset additions in the prior year included capital required for the launch of PrideVision TV.

Please refer to the attached Consolidated Financial Statements, including the Notes to the Consolidated Financial Statements.

About Headline Media Group Inc.

Headline Media Group Inc. (TSX: HMG) is a media company focused on the specialty television sector. The Score television network is a national specialty television service providing sports, news, information, highlights and live event programming. PrideVision TV is a digital specialty television service focused on the Canadian gay and lesbian community that was launched in September 2001. The company's other business unit is St. Clair Group, a sports marketing and specialty publishing company.

Forward-looking (safe harbour) statement

Statements made in this news release that relate to future plans, events or performances are forward-looking statements. Any statement containing words such as "believes", "plans", "expects" or "intends" and other statements which are not historical facts contained in this release are forward-looking, and these statements involve risks and uncertainties and are based on current expectations. Consequently, actual results could differ materially from the expectations expressed in these forward-looking statements.

For further information, please contact:

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Headline Media Group Inc.

Consolidated Balance Sheets

(in thousands of dollars)

	May 31, 2002	August 31, 2001	May 31, 2001
	(unaudited)		(unaudited)
Assets			
Current Assets:			
Cash and cash equivalents	\$ 1,633	\$ 12,883	\$ 42,920
Short-term investments	5,035	24,567	-
Marketable securities	-	-	463
Accounts receivable	8,682	4,408	9,133
Prepaid expenses and deposits	1,165	1,708	970
Program acquisitions and productions	1,537	2,808	-
	18,052	46,374	53,486
Program acquisitions and productions	47	312	-
Fixed assets	4,674	5,396	5,130
Deferred charges	3,583	2,972	1,791
Investments	-	-	1,546
Goodwill	3,622	3,939	4,549
	\$ 29,978	\$ 58,993	\$ 66,502
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities:			
Bank credit facility ^(note 2)	\$ -	\$ -	\$ 100
Accounts payable and accrued liabilities	8,935	9,314	9,020
Program acquisition rights payable	952	2,597	-
Unearned revenue	884	2,011	2,247
	10,771	13,922	11,367
Program acquisition rights payable	109	523	-
Loans ^(note 2)	2,600	11,501	10,424
Shareholders' equity (deficiency):			
Capital stock ^(note 1)	73,344	73,349	73,349
Warrants	302	302	302
Contributed surplus	320	320	320
Deficit	(57,468)	(40,924)	(29,260)
	16,498	33,047	44,711
	\$ 29,978	\$ 58,993	\$ 66,502

Headline Media Group Inc.

Consolidated Statements of Operations and Deficit

(in thousands of dollars, except per share amounts)

(unaudited)

	Three months ended		Nine months ended	
	2002	May 31, 2001	2002	May 31, 2001
Revenue	\$ 9,411	\$ 9,562	\$ 27,006	\$ 21,862
Production and other direct expenses	4,959	4,885	15,402	11,670
Selling, general and administrative expenses	3,759	3,567	10,686	8,994
Program rights	5,632	4,972	14,732	9,900
	<u>14,350</u>	<u>13,424</u>	<u>40,820</u>	<u>30,564</u>
Loss before interest, taxes, depreciation and amortization	(4,939)	(3,862)	(13,814)	(8,702)
Interest income	(68)	(318)	(644)	(632)
Interest expense	337	365	1,104	1,355
Depreciation	449	250	1,196	921
Amortization	357	259	1,006	510
Loss on sale of investments	-	33	-	33
	<u>(6,014)</u>	<u>(4,451)</u>	<u>(16,476)</u>	<u>(10,889)</u>
Loss before taxes	(6,014)	(4,451)	(16,476)	(10,889)
Taxes	-	-	68	-
	<u>(6,014)</u>	<u>(4,451)</u>	<u>(16,544)</u>	<u>(10,889)</u>
Loss for the period	(6,014)	(4,451)	(16,544)	(10,889)
Deficit, beginning of period	(51,454)	(24,809)	(40,924)	(18,371)
	<u>\$ (57,468)</u>	<u>\$ (29,260)</u>	<u>\$ (57,468)</u>	<u>\$ (29,260)</u>
Deficit, end of period				
Basic and diluted loss per share	<u>\$ (0.09)</u>	<u>\$ (0.08)</u>	<u>\$ (0.26)</u>	<u>\$ (0.22)</u>
Weighted average number of Class A Subordinate Voting and Special Voting Shares outstanding	<u>64,874,535</u>	<u>58,232,544</u>	<u>64,876,432</u>	<u>50,252,730</u>

Headline Media Group Inc.

Consolidated Statements of Cash Flows

(in thousands of dollars)

(unaudited)

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2002	2001	2002	2001
Cash provided by (used in):				
Operations				
Loss for the period	\$ (6,014)	\$ (4,451)	\$ (16,544)	\$ (10,889)
Items not involving cash:				
Depreciation	449	250	1,196	921
Amortization	357	259	1,006	510
Loss on sale of marketable securities	-	33	-	33
Change in non-cash working capital balances:				
Accounts receivable	(1,191)	(1,494)	(4,274)	(2,215)
Prepaid expenses and deposits	543	559	543	694
Program acquisition rights payable	(612)	-	(374)	-
Accounts payable and accrued liabilities	50	438	(379)	(261)
Unearned revenue	(959)	(592)	(1,127)	989
	<u>(7,377)</u>	<u>(4,999)</u>	<u>(19,953)</u>	<u>(10,218)</u>
Financing:				
(Repurchase) issuance of common shares	(3)	27,444	(6)	56,064
Issuance of warrants	-	-	-	302
Due to/from related companies	-	(87)	-	(79)
Bank credit facility	-	(145)	-	(410)
Loans, net	2,600	2,186	(8,901)	1,662
	<u>2,597</u>	<u>29,398</u>	<u>(8,907)</u>	<u>57,539</u>
Investments:				
Program acquisition and productions	276	-	(149)	-
Fixed assets, net	(5)	(692)	(474)	(1,424)
Investment in private companies	-	265	-	(150)
Net proceeds from sale of investments	2,209	245	19,532	245
Acquisition of St. Clair, plus bank credit facility acquired	-	(656)	-	(2,603)
Deferred charges	(141)	1,335	(1,300)	(494)
	<u>2,339</u>	<u>497</u>	<u>17,609</u>	<u>(4,426)</u>
Increase (decrease) in cash and cash equivalents	(2,441)	24,896	(11,251)	42,895
Cash and cash equivalents, beginning of period	4,073	18,024	12,883	25
Cash and cash equivalents, end of period	<u>\$ 1,632</u>	<u>\$ 42,920</u>	<u>\$ 1,632</u>	<u>\$ 42,920</u>
Supplemental cash flow information:				
Interest paid	\$ 63	\$ 171	\$ 2,487	\$ 670
Taxes paid	-	-	\$ 122	-
Non-cash financing and investing activities:				
Issuance of common shares of The Score as repayment of related party indebtedness		-		4,390
Issuance of Class A Subordinate Voting Shares for investment in Cogency Semiconductor Inc.		-		1,034
Issuance of Class A Subordinate Voting Shares on acquisition of Old Canada Investment Corporation Limited, less cash and cash equivalents of \$2,115		-		1,784
Extinguishment of St. Clair debt		-		1,086
Issuance of Class A Subordinate Voting Shares on acquisition of St. Clair		-		564
Issuance of Class A Subordinate Voting Shares on acquisition of PrideVision		-		527
Issuance of Class A Subordinate Voting Shares on acquisition of 662105 B.C. Ltd.		630		630

Headline Media Group Inc.

Notes to Consolidated Financial Statements
(in thousands of dollars, except per share amounts)
Nine months ended May 31, 2002 (unaudited)

The unaudited consolidated financial statements have been prepared using the same accounting policies and methods of application as those of Headline Media Group Inc. (or the “Company”) as set out in the consolidated financial statements of the Company contained in the 2001 Annual Report, 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 media company whose assets are two specialty television service properties, each of which is focused on a distinct market segment, and a sports marketing and specialty publishing company. 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 is targeted to the interests of the gay community. St. Clair Group Investments Inc. (“St. Clair”) is the Company’s Canadian sports marketing and specialty publishing company.

1. Capital stock:

Capital stock consists of the following:

	May 31, 2002	August 31, 2001	May 31, 2001
Authorized			
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			
Issued			
64,864,296 Class A Subordinate Voting shares (August 31, 2001 – 64,868,196; May 31, 2001 – 64,868,196)	\$73,314	\$ 73,319	\$73,319
10,000 Special Voting shares (August 31, 2001 – 10,000; May 31, 2001 – 10,000)	30	30	30
	<hr/> \$73,344	<hr/> \$ 73,349	<hr/> \$73,349

Headline Media Group Inc.

Notes to Consolidated Financial Statements
(in thousands of dollars, except per share amounts)
Nine months ended May 31, 2002 (unaudited)

1. Capital stock (continued):

For the three months ended May 31, 2002, the Company purchased 2,000 Class A Subordinate Voting shares for cancellation at a cost of \$3. For the nine months ended May 31, 2002, the Company purchased 3,900 Class A Subordinate Voting shares for cancellation at a cost of \$6.

Stock Option Plan:

The following table summarizes the outstanding options of the Plan:

Nine months ended May 31, 2002	Number	Exercise price	Weighted average exercise price	Options exercisable
Outstanding options, August 31, 2001	2,132,333	\$3.00 – 3.13	\$ 3.01	
Granted	455,000	1.00	1.00	
Exercised	--	--	--	
Cancelled	(406,250)	3.00 - 3.13	3.03	
Outstanding options, May 31, 2002	2,181,083	\$1.00 – 3.13	\$ 2.59	858,334

As at May 31, 2002 the weighted average remaining contractual life of the options exercisable and outstanding was 3.4 years and 3.7 years, respectively.

2. Loans:

(i) The Score

In April 2002, the Company amended its credit facility for its subsidiary, The Score. The amended revolving credit facility allows The Score to borrow up to \$15,000 in prime rate loans, BAs or letters of guarantee. Prime rate loans bear interest at the prime rate plus 3.25%. BAs bear interest at BA rates plus 4.25%.

The credit facility matures February 28, 2004 and is available in the following tranches:

To August 31, 2002	\$5,700
September 1, 2002 to November 30, 2002	\$8,800
December 1, 2002 to February 28, 2003	\$9,000
Thereafter	\$15,000

Headline Media Group Inc.

Notes to Consolidated Financial Statements
(in thousands of dollars, except per share amounts)
Nine months ended May 31, 2002 (unaudited)

2. Loans (continued):

Loans under the facility are secured by a pledge of substantially all of the assets of The Score, including the pledge of The Score shares and the subordination and pledge of shareholder loans and intercompany debt from the Company to The Score. In December 2001, as part of the terms of the credit facility, the Company also loaned The Score \$17,000. The loan is pledged and subordinate to the credit facility. The Score has also settled the repayment fee of \$1,750 related to the previous credit facility and paid an upfront fee of \$450 upon closing of the transaction.

The provisions of the amended credit facility impose restrictions on The Score, the most significant of which are debt incurrence and debt maintenance costs, restrictions on additional investments, sales of assets, payment of management fees or other distributions to shareholders, restrictions on entering into new or renewed programming rights agreements, and the maintenance of certain financial covenants. Financial covenants include meeting minimum subscriber levels, minimum revenue amounts, maximum EBITDA losses, maximum capital expenditure amounts and maximum total debt to total contributed capital requirements.

(ii) St. Clair

In April 2002, the Company's subsidiary St. Clair entered into a credit facility agreement for an operating line of credit for up to \$1,000. The operating line of credit is payable on demand and bears interest at the rate of prime plus 1%. The line of credit is secured by a general assignment of book debts of St. Clair and a general security agreement.

(iii) Headline Media Group Inc.

In April 2002, the Company entered into a non-revolving secured standby credit facility of up to \$2,300 with a company related by virtue of common control. The credit facility is available to fund operations and working capital requirements commencing January 1, 2003 and matures on August 31, 2005. The credit facility bears interest at 12% per annum and is secured by the assets of PrideVision, including a pledge of the PrideVision shares.

3. Segmented information:

The Company has three business units comprised of broadcasting, sports and entertainment marketing and Corporate. The broadcasting group 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 Corporate group 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 of the August 31, 2001 consolidated financial statements.

Headline Media Group Inc.

Notes to Consolidated Financial Statements
(in thousands of dollars, except per share amounts)
Nine months ended May 31, 2002 (unaudited)

3. Segmented Information (con'd)

Information by operating group is as follows:

Three months ended May 31, 2002	Broadcasting	Sports and Entertainment Marketing	Corporate	Consolidated Total
Revenue				
Advertising	\$ 3,243	\$ 4,509	\$ --	\$ 7,752
Subscriber fees	1,659	--	--	1,659
	<hr/>	<hr/>	<hr/>	<hr/>
	4,902	4,509	--	9,411
Earnings (loss) before interest, depreciation and amortization	\$ (4,977)	\$ 705	\$ (667)	\$ (4,939)
Interest income				(68)
Interest expense				337
Depreciation and amortization				806
Loss before taxes				(6,014)
Taxes				--
Loss for the period				<hr/>
				\$ (6,014)
Capital expenditures	\$ 31	\$ (28)	\$ 2	\$ 5
Total assets	\$ 16,805	\$ 6,519	\$ 6,654	\$ 29,978

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Nine months ended May 31, 2002 (unaudited)

3. Segmented information (continued):

Nine months ended May 31, 2002	Broadcasting	Sports and Entertainment Marketing	Corporate	Consolidated Total
Revenue				
Advertising	\$ 9,391	\$ 13,137	\$ --	\$ 22,528
Subscriber fees	4,478	--	--	4,478
	13,869	13,137	--	27,006
Earnings (loss) before interest, depreciation and amortization	\$ (12,800)	\$ 977	\$ (1,991)	\$ (13,814)
Interest income				(644)
Interest expense				1,104
Depreciation and amortization				2,202
Loss before taxes				(16,476)
Taxes				68
Loss for the period				\$ (16,544)
Capital expenditures	\$ 395	\$ 18	\$ 61	\$ 474

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Nine months ended May 31, 2002 (unaudited)

3. Segmented information (continued):

Three months ended May 31, 2001	Broadcasting	Sports and Entertainment Marketing	Corporate	Consolidated Total
Revenue				
Advertising	\$ 2,388	\$ 5,925	\$ --	\$ 8,313
Subscriber fees	1,234	--	--	1,234
Other	15	--	--	15
	3,637	5,925	--	9,562
Earnings (loss) before interest, taxes, depreciation and amortization	(4,121)	931	(672)	(3,862)
Interest income				(318)
Interest expense				365
Depreciation and amortization				509
Loss on sale of investments				33
Loss before taxes				(4,451)
Taxes				--
Loss for the period				\$ (4,451)
Capital expenditures	\$ 671	\$ 3	\$ 18	\$ 692
Total assets	\$ 13,145	\$ 6,268	\$ 47,089	\$ 66,502

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Nine months ended May 31, 2002 (unaudited)

3. Segmented information (continued):

Nine months ended May 31, 2001	Broadcasting	Sports and Entertainment Marketing	Corporate	Consolidated Total
Revenue				
Advertising	\$ 8,622	\$ 9,446	\$ --	\$ 18,068
Subscriber fees	3,633	--	--	3,633
Broadcast rights	138	--	--	138
Other	23	--	--	23
	12,416	9,446	--	21,862
Earnings (loss) before interest, depreciation and amortization	\$ (8,001)	\$ 987	\$ (1,688)	\$ (8,702)
Interest income				(632)
Interest expense				1,355
Depreciation and amortization				1,431
Loss on sale of investments				33
Loss before taxes				(10,889)
Taxes				--
Loss for the period				\$ (10,889)
Capital expenditures	\$ 1,401	\$ 5	\$ 18	\$ 1,424