



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

Q1 – 2003

Consolidated Financial Statements

For the Three Months Ended

November 30, 2002

(unaudited)



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

TORONTO, Ontario (January 29, 2003) - Headline Media Group (TSX:HMG) announced its results today for the first quarter ended November 30, 2002.

HIGHLIGHTS

- Operating results and net loss for the three months ended November 30, 2002 showed significant improvement over the prior year. Loss before interest, taxes, depreciation and amortization was \$2.0 million, an improvement of \$3.7 million from a loss of \$5.7 million in the same period last year.
- Consolidated revenue for the first quarter increased by \$0.2 million to \$8.2 compared to \$8.0 million in the prior year. Revenue in the Broadcasting group increased by \$0.7 million or 13.1%. Revenue in the Sports and Entertainment Marketing group declined by \$0.5 million due to lower advertising revenues, which was offset by a decline in operating expenses over the prior year.
- On January 15, 2003, the Company announced that it had completed a non-brokered private placement of 1,428,571 Class A Subordinate Voting shares with Levfam Holdings Inc., the Company's controlling shareholder, at a price of \$0.35 per share. The gross proceeds of the private placement were \$0.5 million. Proceeds from the private placement will be used primarily to fund the operations of PrideVision Inc. ("PrideVision TV") and for general corporate purposes.

The Company has three business units "Broadcasting", "Sports and Entertainment Marketing" and "Corporate". The Broadcasting group consists of the Company's specialty television networks, The Score Television Network Ltd. ("The Score") and PrideVision TV. The Sports and Entertainment Marketing group consists of St. Clair Group Investments Inc. ("St. Clair").

Three Months Ended November 30, 2002

Revenue for the first quarter increased by \$0.2 million to \$8.2 million compared to \$8.0 million in the prior year. The increase in revenue reflects an increase in the revenue in Broadcasting group of \$0.7 million partially offset by the decline of \$0.5 million in revenue in the Sports and Entertainment Marketing group.

Operating expenses excluding rights fees were \$7.4 million during the quarter, compared to \$8.1 million in the prior year, representing a decrease of \$0.7 million. Operating expenses in the Broadcasting group were \$0.1 million lower in the quarter, reflecting cost reduction initiatives implemented in PrideVision TV. Operating expenses for the Sports and Entertainment Marketing group were \$0.5 million less than the prior year, which more than offset the decline in revenues. Operating expenses for the Corporate group were \$0.1 million less than the prior year.

Program rights were \$3.2 million during the quarter, compared to \$5.6 million in the prior year. Program rights for the quarter were \$2.8 million in the Broadcasting group and \$0.4 million in the Sports Entertainment and Marketing Group versus \$5.1 million and \$0.5 million respectively in the prior year. The reduction in program rights for the Broadcasting group reflects \$1.8 million in lower program rights fees for Major League Baseball, as a result of the previously announced termination agreement, as well as lower program rights costs for PrideVision TV as a result of the implementation of cost containment initiatives.

Gain on sale of investment - during the quarter the Company sold an investment in a private company for cash proceeds of \$0.4 million (\$0.3 million U.S.) The carrying value of the investment at August 31, 2002 was nil, resulting in a gain on sale of \$0.4 million.

Loss before interest, taxes, depreciation and amortization was \$2.0 million for the first quarter, compared with \$5.7 million in the same quarter last year, representing an improvement of \$3.7 million over the prior year.

Interest income for the first quarter was negligible compared to \$0.4 million in the prior year. The decrease in interest income resulted from a reduction in the cash, cash equivalents and short-term investments held by the Company during the period.

Interest expense for the first quarter was \$0.3 million compared to \$0.5 million in the prior year. The decrease of \$0.2 million reflects lower financing fees than in the prior year, partially offset by a higher average loan balance outstanding for the period.

Depreciation expense was \$0.3 million in the first quarter compared to \$0.4 million in the prior year. The decrease in depreciation expense is due to lower fixed asset additions in the current year. Fixed assets additions were negligible compared to \$0.4 million in the prior year.

Amortization expense was \$0.1 million in the quarter, compared to \$0.3 million in the prior year. The decrease in amortization reflects a reduction in the amortization of goodwill compared to the prior year as a result of a change in accounting policy. The Company has adopted the provisions of The Canadian Institute of Chartered Accountants' Handbook Section 3062 "Goodwill and Other Intangible Assets", effective September 1, 2002. Section 3062 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually by comparing the carrying value to the respective fair value. Due to the extensive effort needed to comply with adopting Section 3062, the Company has not estimated the impact of this Section on its financial statements, beyond discontinuing goodwill amortization and assessing the classification of intangibles. The change to a methodology that assesses fair value by reporting unit could result in an impairment charge.

Net loss for the first quarter was \$2.6 million or \$0.04 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 \$6.6 million or \$0.10 per share based on a weighted average 64.9 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

Broadcasting Group

Revenues for the Broadcasting group increased \$0.7 million to \$5.9 million for the quarter compared to \$5.2 million in the prior year. Advertising revenue increased \$0.2 million or 5.1% during the quarter compared to the prior year primarily reflecting an increase in advertising revenue for The Score as a result of continued audience growth and improved ratings. Subscriber revenue increased by \$0.5 million or 36.5% over the same quarter last year. \$0.3 million primarily reflects increased subscriber rates for The Score on renewed distribution contracts. As at November 30, 2002, The Score had 5.2 million paying subscribers. PrideVision TV generated \$0.2 million in subscriber revenue during the quarter, compared to nil in the previous year. There was no subscriber revenue generated in the previous year for PrideVision TV as a result of a free preview promotion during the initial launch. As at November 30, 2002, PrideVision TV had approximately 21,000 paying subscribers.

Operating expenses were \$7.3 million in the quarter, compared to \$9.9 million in the prior year, representing a decrease in operating expenses of \$2.6 million. The Score's operating expenses decreased by \$2.0 million to \$5.4 million in the quarter compared to \$7.4 million in the prior year reflecting lower program rights fees for Major League Baseball, as a result of the previously announced termination agreement. Operating expenses for PrideVision TV were \$1.9 million in the quarter, compared to \$2.5 million in the prior year due to lower program rights and other operating costs due to the implementation of cost reduction initiatives.

Loss before interest, taxes, depreciation and amortization for the first quarter was \$1.4 million versus \$4.6 million in the prior year, resulting in an improvement in operating performance of \$3.2 million.

Sports and Entertainment Marketing Group

Revenue for St. Clair was \$2.3 million in the first quarter compared to \$2.8 million in the prior year. The decrease in revenue of \$0.5 million reflects a decline in print advertising sales, specifically within sports programming publications. St. Clair did not renew its broadcasting and sponsorship rights for the 2003 Canadian Hockey League season and as a result certain sales contracts that included packaged advertising did not renew.

Operating expenses were \$2.6 million in the quarter, compared to \$3.1 million in the prior year, representing a decrease in operating expenses of \$0.5 million. The decrease in expenses primarily reflects lower printing and production costs, which is consistent with the lower advertising print sales, as well as reduced promotional and selling expenses as compared to the prior year.

St. Clair's operating loss before interest, taxes, depreciation and amortization for the first quarter was \$0.3 million, which was consistent with the same period last year.

Corporate

Operating expenses for the Corporate group were \$0.6 million or \$0.1 million less than \$0.7 million in the prior year.

During the quarter the Company sold an investment in a private company for cash proceeds of \$0.4 million (\$0.3 million U.S.) The carrying value of the investment at August 31, 2002 was nil, resulting in a gain on sale of \$0.4 million.

Loss before interest, taxes, depreciation and amortization for the first quarter was \$0.2 million, or \$0.5 million lower the previous year loss of \$0.7 million.

Liquidity and Capital Resources

Cash flow used in operations for the three months ended November 30, 2002 was \$2.6 million compared to \$7.0 million in the prior year, reflecting significantly lower operating losses in the current year.

Cash flow from financing activities was nil for the three months ended November 30, 2002 compared to cash flow from financing activities of \$1.4 million in the prior year.

Cash flow from investment activities for the three months ended November 30, 2002 was \$0.2 million compared to \$6.1 million in the prior year. The decrease in cash flow from investment activities reflects lower fixed asset additions and deferred charges compared to the prior year, as well as lower proceeds from the sale of short-term investments. Fixed asset additions and deferred charges in the prior year include costs associated with the launch of PrideVision TV.

On January 15, 2003, the Company announced that it had completed a non-brokered private placement of 1,428,571 Class A Subordinate Voting shares with Levfam Holdings Inc., the Company's controlling shareholder, at a price of \$0.35 per share. The gross proceeds of the private placement were \$0.5 million. Proceeds from the private placement will be used primarily to fund the operations of PrideVision TV and for general corporate purposes.

With the credit facilities and financing currently 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 fiscal 2003. During 2002 and continuing into fiscal 2003, the Company has introduced significant cost cutting measures to preserve cash and to strategically realign the Company's resources. Beyond fiscal 2003, the Company will require additional funding in order to continue operations and service the commitments under significant agreements.

The Company's successful execution of its 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. While Management expects the digital television market will continue to grow and that the number of subscribers to the service will increase, the rate and extent to which this subscriber base will grow is uncertain. Initial 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.

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

About Headline Media Group Inc.

Headline Media Group Inc. (TSX: HMG) is a media company that creates, develops and manages specialty programming services to meet the needs of underserved markets. Headline's first service, The Score Television Network Ltd. ("The Score"), was launched in 1997 and is a specialty television network, which provides sports news, information and highlights, as well as live event sports programming. In September 2001, Headline launched PrideVision TV, its second service, a Category 1 digital specialty television network focused on the Canadian gay, lesbian, bisexual, transgendered ("GLBT") community and the world's first network of its kind to broadcast 24 hours a day, seven days a week. The Company also owns and operates St. Clair Group Investment Inc., 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.

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Headline Media Group Inc.

Consolidated Balance Sheets

(in thousands of dollars)

(unaudited)

	November 30, 2002	August 31, 2002	November 30, 2001
		(audited)	
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,414	\$ 3,842	\$ 13,158
Short-term investments	-	297	17,082
Accounts receivable	6,206	4,528	7,010
Prepaid expenses and deposits	1,614	2,699	2,753
Program acquisition and productions	-	-	2,001
	<u>9,234</u>	<u>11,366</u>	<u>42,004</u>
Fixed assets	3,162	3,401	5,425
Program acquisitions and productions	-	-	310
Deferred charges	729	731	3,669
Goodwill	3,517	3,517	3,833
	<u>\$ 16,642</u>	<u>\$ 19,015</u>	<u>\$ 55,241</u>
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities:			
Accounts payable and accrued liabilities	6,026	5,313	10,947
Program acquisition rights payable	986	1,309	1,714
Unearned revenue	588	733	2,982
	<u>7,600</u>	<u>7,355</u>	<u>15,643</u>
Program acquisition rights payable	-	13	217
Loans	15,100	15,100	12,895
Shareholders' equity (deficiency)			
Capital stock	73,344	73,344	73,347
Warrants	302	302	302
Contributed surplus	320	320	320
Deficit	(80,024)	(77,419)	(47,483)
	<u>(6,058)</u>	<u>(3,453)</u>	<u>26,486</u>
	<u>\$ 16,642</u>	<u>\$ 19,015</u>	<u>\$ 55,241</u>

See accompanying notes to consolidated financial statements.

Headline Media Group Inc.

Consolidated Statements of Operations and Deficit
(in thousands of dollars, except per share amounts)
(unaudited)

	Three months ended November 30,	
	2002	2001
Revenue	\$ 8,193	\$ 8,008
Production and other direct expenses	4,424	4,784
Selling, general and administrative expenses	2,966	3,321
Program rights	3,225	5,604
	<u>10,615</u>	<u>13,709</u>
Loss before undernoted	(2,422)	(5,701)
Gain on sale of investment	443	-
Loss before interest, depreciation and amortization	(1,979)	(5,701)
Interest income	(26)	(400)
Interest expense	321	473
Depreciation	266	396
Amortization	65	321
	<u>(2,605)</u>	<u>(6,491)</u>
Loss before income taxes	(2,605)	(6,491)
Income taxes	-	68
Loss for the period	(2,605)	(6,559)
Deficit, beginning of period	(77,419)	(40,924)
Deficit, end of period	<u>\$ (80,024)</u>	<u>\$ (47,483)</u>
Loss per share, basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.10)</u>
Weighted average number of Class A Subordinate Voting and Special Voting Shares outstanding	<u>64,864,296</u>	<u>64,878,032</u>

See accompanying notes to consolidated financial statements.

Headline Media Group Inc.

Consolidated Statements of Cash Flows

(in thousands of dollars)

(unaudited)

	Three months ended	
	November 30,	
	2002	2001
Cash provided by (used in):		
Operations		
Loss for the period	\$ (2,605)	\$ (6,559)
Items not involving cash:		
Depreciation	266	396
Amortization	65	321
Change in non-cash operating working capital balances:		
Accounts receivable	(1,678)	(2,602)
Prepaid expenses and deposits	1,085	(1,045)
Program acquisition and productions, net	(336)	(380)
Accounts payable and accrued liabilities	713	1,633
Unearned revenue	(145)	971
	<u>(2,635)</u>	<u>(7,265)</u>
Financing:		
Repurchase of common shares	-	(2)
Loans	-	1,394
	<u>-</u>	<u>1,392</u>
Investments:		
Fixed assets	(27)	(424)
Sale of short-term investments, net	297	7,485
Deferred charges	(63)	(913)
	<u>207</u>	<u>6,148</u>
Increase (decrease) in cash and cash equivalents	(2,428)	275
Cash and cash equivalents, beginning of period	3,842	12,883
Cash and cash equivalents, end of period	<u>\$ 1,414</u>	<u>\$ 13,158</u>
Supplemental cash flow information:		
Interest paid	\$ 252	\$ 226

See accompanying notes to consolidated financial statements.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2002

Nature of operations

Headline Media Group Inc. 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 TV"), 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.

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of generally accepted accounting principles for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2002.

The unaudited interim consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary to present fairly the financial position of the Company as of November 30, 2002 and the results of operations and cash flows for the three months ended November 30, 2002.

1. Basis of Presentation

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

With the financing arrangements currently in place, together with the successful execution of its revised business plan, the Company believes that there are sufficient resources to fund operations until the end of fiscal 2003. During fiscal 2002 and continuing into fiscal 2003, the Company introduced significant cost cutting measures to preserve cash and to strategically realign the Company's resources. Beyond fiscal 2003, the Company will require additional funding in order to continue operations and service the commitments under significant agreements. 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. To date, no agreements with potential lenders or investors have been reached and there can be no assurance that such agreements will be reached.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2002

1. Basis of Presentation (cont'd)

The Company's successful execution of its business plan is dependant upon meeting certain assumptions and expectations primarily regarding subscription and advertising revenues. The Company's available financing may not be sufficient to fund its expected operating losses and contractual commitments if certain assumptions are not realized.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. Significant accounting policies:

The unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the August 31, 2002 consolidated financial statements, except as follows:

(a) Goodwill:

In September 2001, The Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3062, "Goodwill and Other Intangible Assets" ("Section 3062"). Section 3062 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually by comparing the carrying value to the respective fair value. Section 3062 also requires that intangible assets with estimated useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment by assessing the recoverability of the carrying values.

The Company has adopted the provisions of Section 3062, effective September 1, 2002. In connection with Section 3062's transitional goodwill impairment evaluation, the Company is required to assess whether goodwill is impaired as of September 1, 2002. The Company has up to six months to determine the fair value of its reporting units and compare that to the carrying amounts of its reporting units. To the extent a reporting unit's carrying amount exceeds its fair value, the Company must perform a second step to measure the amount of impairment in a manner similar to a purchase price allocation. This second step is to be completed no later than August 31, 2003. Any transitional impairment will be recognized as an effect of a change in accounting policy and will be charged to opening deficit as of September 1, 2002. All of the goodwill as at September 1, 2002 has been allocated to the Sports and Entertainment Marketing reporting unit, which coincides with the operating segment.

Headline Media Group Inc.

Notes to Consolidated Financial Statements
(in thousands of dollars, except per share amounts)
Three months ended November 30, 2002

2. Significant accounting policies (cont'd):

(a) Goodwill (cont'd):

Upon adoption of Section 3062 on September 1, 2002, the Company determined that there are no intangible assets relating to previous acquisitions that need to be reclassified and accounted for apart from goodwill. Due to the extensive effort needed to comply with adopting Section 3062, the Company has not estimated the impact of this Section on its financial statements, beyond discontinuing goodwill amortization and assessing the classification of intangibles. The change to a methodology that assesses fair value by reporting unit could result in an impairment charge.

Effective September 1, 2002, the Company had unamortized goodwill of \$3,517 which is no longer being amortized. This change in accounting policy is not applied retroactively and the amounts presented for prior periods have not been restated for this change. The impact of this change is as follows:

	Three months ended November 30, 2002	Three months ended November 30, 2001
Loss for the period	\$ 2,605	\$ 6,560
Add back goodwill amortization	--	106
Loss for the period before goodwill amortization	\$ 2,605	\$ 6,666
Basic and diluted loss per share:		
Loss for the period	\$ 0.04	\$ 0.10
Loss for the period before goodwill amortization	0.04	0.10

(b) Stock-based compensation:

In December 2001, the CICA issued Handbook Section 3870, which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees. The standard requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to employee awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. However, the new standard permits the Company to continue its existing policy of recording no compensation cost on the grant of stock options to employees.

Headline Media Group Inc.

Notes to Consolidated Financial Statements
(in thousands of dollars, except per share amounts)
Three months ended November 30, 2002

2. Significant accounting policies (cont'd):

(b) Stock-based compensation (cont'd)

Consideration paid by employees on the exercise of stock options is recorded as share capital. The standard is effective for the Company's fiscal year beginning September 1, 2002 for awards granted on or after that date.

Had the Company determined compensation expense based on the fair values at grant dates of the stock options consistent with the fair value method, the Company's loss per share would have been reported as the pro forma amounts indicated below:

	Three months ended November 30, 2002
Loss for the period, as reported	\$ 2,605
Pro forma loss for the period	2,606
Pro forma loss per share, basic and diluted	\$ 0.04

The weighted average estimated fair value at the date of the grant for options granted during the three months ended November 30, 2002 was \$0.25 per share.

The fair value of each option granted was estimated on the date of the grant using the Black-Scholes fair value option pricing model with the following assumptions:

	Three months ended November 30, 2002
Risk-free interest rate	8%
Dividend yield	—
Volatility factor of the future expected market price of common shares	150%
Weighted average expected life of the options	3 years

For the purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period on a straight-line basis.

Headline Media Group Inc.

Notes to Consolidated Financial Statements
(in thousands of dollars, except per share amounts)
Three months ended November 30, 2002

3. Capital stock:

Capital stock consists of the following:

	November 30, 2002	August 31, 2002
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		
Unlimited Class B Subordinate Voting shares, convertible into Class A Subordinate Voting shares on a one-for-one basis at the option of the shareholder		
Issued		
64,864,296 Class A Subordinate Voting shares (August 31, 2002 – 64,864,296);	\$73,314	\$ 73,314
10,000 Special Voting shares (August 31, 2002 – 10,000)	30	30
	<hr/> \$73,344	<hr/> \$ 73,344

Stock Option Plan:

The following table summarizes the outstanding options of the Plan:

Three months ended November 30, 2002	Number	Exercise price	Weighted average exercise price	Options exercisable
Outstanding options, August 31, 2002	1,963,333	\$1.00 – 3.13	\$ 2.54	
Granted	40,000	1.00	1.00	
Cancelled	(33,333)	3.00 – 3.13	3.06	
Outstanding options, November 30, 2002	1,970,000	\$1.00 – 3.11	\$2.50	980,002

As at November 30, 2002 the weighted average remaining contractual life of the options exercisable and outstanding was 2.8 years and 3.2 years, respectively.

Headline Media Group Inc.

Notes to Consolidated Financial Statements
(in thousands of dollars, except per share amounts)
Three months ended November 30, 2002

4. Segmented information:

The Company has three business units comprised of Broadcasting, Sports and Entertainment Marketing and Corporate. These operating segments are virtually all in Canada. The Broadcasting group consists of the Company's specialty television networks, The Score and PrideVision TV. 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, 2002 consolidated financial statements.

Information by operating group is as follows:

Three months ended November 30, 2002	Broadcasting	Sports and Entertainment Marketing	Corporate	Consolidated Total
Revenue				
Advertising	\$ 4,095	\$ 2,279	\$ --	\$ 6,374
Subscriber fees	1,819	--	--	1,819
	5,914	2,279	--	8,193
Loss before undernoted	(1,429)	(347)	(646)	(2,422)
Gain on sale of investment	--	--	443	443
Loss before interest, depreciation and amortization	\$ (1,429)	\$ (347)	\$ (203)	\$ (1,979)
Interest income				(26)
Interest expense				321
Depreciation and amortization				331
Loss before income taxes				(2,605)
Income taxes				--
Loss for the period				\$ (2,605)
Capital expenditures	\$ 27	\$ --	\$ --	\$ 27
Total assets	\$ 12,645	\$ 2,950	\$ 1,047	\$ 16,642

Headline Media Group Inc.

Notes to Consolidated Financial Statements
(in thousands of dollars, except per share amounts)
Three months ended November 30, 2002

4. Segmented information (cont'd):

Three months ended November 30, 2001	Broadcasting	Sports and Entertainment Marketing	Corporate	Consolidated Total
Revenue				
Advertising	\$ 3,896	\$ 2,779	\$ --	\$ 6,675
Subscriber fees	1,333	--	--	1,333
	5,229	2,779	--	8,008
Loss before interest, taxes, depreciation and amortization	(4,622)	(356)	(723)	(5,701)
Interest income				(400)
Interest expense				473
Depreciation and amortization				717
Loss before income taxes				(6,491)
Income taxes				68
Loss for the period				\$ (6,559)
Capital expenditures	\$ 315	\$ 49	\$ 60	\$ 424
Total assets	\$ 16,634	\$ 6,683	\$ 31,924	\$ 55,241

5. Subsequent events:

(a) PrideVision TV restructuring:

On December 20, 2002, the Company announced that it had completed a restructuring of its subsidiary, PrideVision TV, including a reduction in its work force and ongoing operational expenses. In addition, the Company continues to have discussions with third parties regarding potential strategic investments in or the sale of PrideVision TV.

(b) Private placement:

On January 15, 2003, the Company announced that it had completed a non-brokered private placement of 1,428,571 Class A Subordinate Voting shares with Levfam Holdings Inc., the Company's controlling shareholder, at a price of \$0.35 per share. The gross proceeds of the private placement were \$500. Proceeds from the private placement will be used primarily to fund the operations of PrideVision TV and for general corporate purposes.