



**HEADLINE MEDIA GROUP INC.
REPORTS OPERATING PROFIT FOR THE SECOND QUARTER BASED ON
EARNINGS GROWTH FROM THE SCORE TELEVISION NETWORK LTD.**

TORONTO, Ontario – April 15, 2004

Headline Media Group announced its results today for the three and six months ended April 15, 2004.

HIGHLIGHTS

- *Net income from continuing operations before interest, income taxes, depreciation and amortization* (see "Definitions") for the three months ended February 29, 2004 was \$0.2 million, an increase of \$1.5 million from a loss of \$1.3 million in the same period last year. For the six months ended February 29, 2004, net loss from continuing operations before interest, income taxes, depreciation and amortization was \$0.3 million, an improvement of \$1.4 million from a loss of \$1.7 million in the same period last year. Excluding the gain on the sale of an investment (\$0.4 million) which occurred in the prior year, net income from continuing operations before interest, taxes, depreciation and amortization for the six months ended February 29, 2004 improved \$1.8 million over the prior year.
- *Net income before interest, income taxes, depreciation and amortization* for the Company's main asset, The Score Television Network, during the second quarter was \$0.7 million versus a loss of \$0.6 million in the prior year, resulting in an improvement in operating performance of \$1.3 million.
- *Loss from discontinued operations* (PrideVision TV) for the second quarter was nil compared to a loss of \$0.2 million in the prior year. For the period November 29, 2003 to February 29, 2004, operating losses from PrideVision TV have been included in deferred charges, and will be recognized upon the closing of the sale of PrideVision's Canadian assets. Income from discontinued operations for the six months ended February 29, 2004 was \$0.1 compared to a loss of \$1.8 million in the prior year due to cost containment initiatives as well as gains on the settlement of liabilities.
- *Net loss* for the Company for the three months ended February 29, 2004 was \$0.5 million, an improvement of \$1.8 million from a loss of \$2.3 million in the same period last year. For the six months ended February 29, 2004, net loss was \$1.6 million, an improvement of \$3.3 million from a loss of \$4.9 million in the same period last year.

DEFINITIONS

The Company focuses its analysis on "Net income (loss) before interest, income taxes, depreciation and amortization" and Net income (loss). Net income (loss) before interest, income taxes, depreciation and amortization and Net income (loss) are reconciled in the table below. Net income (loss) before interest, income taxes, depreciation and amortization is calculated as earnings (loss) from continuing operations before interest, income taxes, depreciation and amortization. Net income (loss) before interest, income taxes, depreciation and amortization for the quarter ended February 29, 2004 was \$0.2 million compared to a net loss before interest, income taxes, depreciation and amortization of \$1.3 million for the quarter ended February 28, 2003. For the six months ended February 29, 2004, net loss before interest, income taxes, depreciation and amortization was \$0.3 million, an improvement of \$1.4 million from a loss of \$1.7 million in the same period last year. Net loss before interest, income taxes, depreciation and amortization for the six months ended February 28, 2003 included a gain of sale of an investment of \$0.4 million.

Net income (loss) before interest, income taxes, depreciation and amortization is not a measure of performance under Canadian GAAP. Net income (loss) before interest, income taxes, depreciation and amortization should not be considered in isolation or as a substitute for Net income (loss) prepared in accordance with Canadian GAAP or as a measure of operating performance or profitability. Net income (loss) before interest, income taxes, depreciation and amortization does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures presented by other companies.

The Company uses Net income (loss) before interest, income taxes, depreciation and amortization to remove acquisition and investment related charges (such as depreciation and amortization), discontinued operations, and income taxes which in the Company's view do not adequately reflect its core operating results.

The following tables reconcile net income (loss) to net income (loss) before interest, income taxes, depreciation and amortization:

	Three months ended February 29, 2004	Three months ended February 28, 2003
Loss for the period	\$ (500)	\$ (2,279)
Less:		
Income (loss) from discontinued operations	-	(209)
Add back:		
Depreciation and amortization	347	294
Interest expense, net	362	512
Income (loss) before interest, income taxes, depreciation and amortization	\$ 209	\$ (1,264)

	Six months ended February 29, 2004	Six months ended February 28, 2003
Loss for the period	\$ (1,605)	\$ (4,884)
Less:		
Income (loss) from discontinued operations	145	(1,785)
Add back:		
Depreciation and amortization	693	617
Interest expense, net	728	807
Loss before interest, income taxes, depreciation and amortization	\$ (329)	\$ (1,675)

Consolidated Results

The following selected financial data of the Corporation as it relates to the two years ended February 29, 2004, is derived from the audited financial statements of the Corporation.

	Revenue	Net Income (loss)	Income (loss) per Share
	(\$000's)	(\$000's)	(\$)
Quarterly Results			
February 29, 2004	5,683	(653)	(0.01)
November 30, 2003	6,234	(1,104)	(0.01)
August 31, 2003	5,252	(1,625)	(0.02)
May 31, 2003	9,114	308	0.00
February 28, 2003	7,394	(2,279)	(0.03)
November 30, 2002	8,193	(2,605)	(0.04)
August 31, 2002	5,382	(19,951)	(0.31)
May 31, 2002	9,411	(6,014)	(0.09)

Three Months Ended February 29, 2004

Revenue for the second quarter decreased by \$1.7 million to \$5.7 million compared to \$7.4 million in the prior year. This decrease was due to \$2.2 million lower revenue in St. Clair attributable to lower advertising contracts offset by an increase of \$0.5 million at The Score as a result stronger advertising and increased subscriber revenue.

Operating expenses excluding rights fees were \$5.3 million during the quarter, compared to \$6.5 million in the prior year, representing a decrease of \$1.2 million. Operating expenses at The Score were approximately \$0.1 million higher in the quarter, reflecting additional program related expenses. Operating expenses at St. Clair were \$1.4 million less than the prior year, due primarily to the reduction in publishing expenses associated with print properties that were not renewed.

Program rights expenses were \$0.1 million during the quarter, compared to \$2.1 million in the prior year. Program rights for the quarter were \$0.2 million at The Score and \$(0.1) million at St. Clair (due to restructuring a rights contract during the quarter) versus \$1.1 million and \$1.0 million respectively in the prior year. The reduction in program rights at The Score reflects lower program rights fees on World Wrestling Entertainment properties as well as lower program rights costs for other programs. The reduction in program rights at St. Clair reflects lower program rights fees due to the loss of certain print properties.

Net income from continuing operations before interest, income taxes, depreciation and amortization was \$0.2 million during the quarter, an improvement of \$1.5 million from a loss of \$1.3 million in the same period last year.

Interest expense for the second quarter was approximately \$0.4 million compared to approximately \$0.5 million in the prior year. The decrease of approximately \$0.1 million reflects the repayment of a \$2.0 million credit facility in August 2003 at The Score and no increase in debt at the parent Company.

Depreciation and amortization expense of \$0.3 million in the second quarter was comparable to the prior year. For the second quarter and in the prior year, fixed asset additions were negligible.

Net loss for the three months ended February 29, 2004 was \$0.5 million or (\$0.01) per share based on a weighted average 82.6 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, an improvement of \$1.8 million from a loss of \$2.3 million or (\$0.03) per share based on a weighted average 65.6 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

The Score Television Network

Revenues for The Score increased \$0.5 million, or 12.8% for the quarter, from \$3.9 million for the three months ended February 28, 2003 to \$4.4 million for the three months ended February 29, 2004. Advertising revenue increased \$0.3 million or 13.0% during the quarter compared to the prior year as a result of continued audience growth and improved ratings. Subscriber revenue increased by \$0.2 million or 12.02% over the same quarter last year. In addition, the number of subscribers to The Score continues to grow. As at February 29, 2004, The Score had 5.4 million paying subscribers.

Operating expenses were \$3.7 million in the quarter, compared to \$4.5 million in the prior year, representing a decrease in operating expenses of \$0.8 million. The Score's program rights expenses decreased by \$0.9 million to \$0.2 million in the quarter compared to \$1.1 million in the prior year reflecting lower program rights fees for World Wrestling Entertainment properties. Other operating expenses increased by approximately \$0.1 million during the quarter compared to the prior year.

Income before interest, income taxes, depreciation and amortization for the second quarter was \$0.7 million versus a loss of \$0.6 million in the prior year, resulting in an improvement in operating performance of \$1.3 million.

St. Clair

Revenue for St. Clair was \$1.3 million in the second quarter compared to \$3.5 million in the prior year. The decrease in revenue of \$2.2 million reflects a decline in print advertising sales, specifically within sports programming publications. St. Clair did not renew the publishing rights for Maple Leaf Sports and Entertainment's programs for the Toronto Maple Leafs and Toronto Raptors 2003/04 season, and as a result, sales contracts that included packaged advertising did not renew. In addition, St. Clair restructured its sponsorship contracts for the Canadian Curling Association and World Curling Federation, and as a result, revenues were expected to decline, but the profitability from these contracts is expected to remain unaffected.

Operating expenses were \$1.1 million in the quarter, compared to \$3.6 million in the prior year, representing a decrease in operating expenses of \$2.5 million. The decrease in expenses primarily reflects lower printing and production costs as a result of the loss of a publication property, and lower promotional and selling expenses on the CCA/WCF contracts as compared to the prior year.

Income before interest, income taxes, depreciation and amortization for the second quarter was \$0.2 million compared to a loss of \$0.1 million in the prior year.

During the second quarter, St. Clair restructured its operations for the production of Performance magazine, and partnered with another organization to better service its customers.

Corporate

Operating expenses and the loss before interest, income taxes, depreciation and amortization for the Corporate group were \$0.7 million in the second quarter compared to \$0.6 million in the prior year.

Six Months Ended February 29, 2004

Revenues for the six months ended February 29, 2004 decreased to \$11.9 million from \$15.2 million for the same period last year. Advertising revenues decreased by \$3.6 million due primarily to the reduction in advertising revenue at St. Clair specifically within its sports properties. Subscriber fee revenue increased by \$0.3 million reflecting an increase in the number of subscribers for The Score.

Operating expenses excluding rights fees were \$10.8 million for the six months ended February 29, 2004 compared to \$12.9 million in the prior year, representing a decrease of \$2.1 million. Operating expenses at The Score were \$0.4 million higher in the six month period, reflecting the productions costs of new programming and greater sales and marketing expenses. Operating expenses at St. Clair were \$2.4 million less than the prior year, mitigating some of the decline in revenues. Operating expenses for the Corporate group were approximately \$85,000 less than the prior year.

Program rights were \$1.4 million during the six month period ended February 29, 2004, compared to \$4.5 million in the prior year. Program rights for the six month period were \$1.5 million at The Score and \$(0.1) million at St. Clair (due to the restructuring of a rights contract during the quarter) versus \$3.0 million and \$1.5 million respectively in the prior year. The reduction in program rights at The Score reflects lower program rights fees on World Wrestling Entertainment properties as well as lower program rights costs for other programs. The reduction in program rights at St. Clair reflects lower program rights fees due to the loss of certain print properties.

Gain on sale of investment – during the six month period ended February 28, 2003, 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 was nil, resulting in a gain on sale of \$0.4 million.

Net loss from continuing operations before interest, income taxes, depreciation and amortization for the six months ended February 29, 2004 was \$0.3 million, compared with \$1.7 million for the same period last year.

Interest expense for the six month period ended February 29, 2004 was \$0.7 million compared to the \$0.8 million interest expense in the prior year. The decrease of approximately \$0.1 million reflects the repayment of a \$2.0 million credit facility in August 2003 at The Score and no increase in debt at the parent Company.

Net loss for the six months ended February 29, 2004 was \$1.6 million or (\$0.02) per share based on a weighted average 82.6 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to a net loss of \$4.9 million or (\$0.07) per share based on a weighted average 65.2 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

The Score Television Network

Revenue for The Score increased \$0.1 million, or 1.3%, from \$9.5 million for the six months ended February 28, 2003 to \$9.6 million for the six months ended February 29, 2004. Advertising revenue decreased by \$0.2 million compared to the same period in the prior year. Subscriber revenue increased by \$0.3 million, or 10.5% for the six months ended February 29, 2004 over the same period last year. The \$0.3 million increase primarily reflects an increase in the number of subscribers.

Operating expenses were \$8.8 million for the six months ended February 29, 2004, compared to \$9.9 million in the prior year, representing a decrease in operating expenses of \$1.1 million, reflecting lower program rights fees for World Wrestling Entertainment properties.

Income before interest, income taxes, depreciation and amortization for the six months ended February 29, 2004 was \$0.8 million comparable to loss of \$0.5 million in the prior year.

St. Clair

Revenue for St. Clair was \$2.3 million for the six months ended February 29, 2004 compared to \$5.8 million in the prior year. The decrease in revenue of \$3.5 million reflects a decline in print and TV advertising sales. St. Clair did not renew its publishing contract for the Toronto Maple Leaf and Toronto Raptors game day programs for the 2003/04 season which represented most of the decline in sales.

Operating expenses for the six months ended February 29, 2004 were \$2.3 million, compared to \$6.2 million in the prior year, representing a decrease in operating expenses of \$3.9 million. The decrease in expenses primarily reflects lower printing and production costs, consistent with the lower television advertising sales, lower rights fees, and reduced promotional and selling expenses as compared to the prior year.

Income before interest, income taxes, depreciation and amortization for the six months ended February 29, 2004 was \$36,000 compared to a loss of \$0.4 million in the prior year.

During the for the six months ended February 29, 2004, St. Clair amended its contracts with the Canadian Curling Association as well as the World Curling Federation for the 2003/04 season so as to act as a sales agency compared to its prior role as a marketing agent. In addition, St. Clair restructured its operations for the production of Performance magazine, and partnered with another organization to better service its customers. Both initiatives are expected to improve St. Clair's working capital position, and improve profitability over the coming year.

Corporate

Operating expenses for the Corporate group were \$1.1 million for the six months ended February 29, 2004 compared to \$1.2 million in the prior year.

Liquidity and Capital Resources

Cash flow used in operations for the three months ended February 29, 2004 was \$0.5 million compared to \$0.6 million in the prior year, reflecting lower operating losses in the current year. Cash flow used in operations for the six months ended February 29, 2004 was \$0.5 million compared to \$1.6 million in the prior year, again reflecting significantly lower operating losses and positive non-cash operating working capital movements.

Cash flow from financing activities was nil for the three and six months ended February 29, 2004 compared to cash flow received in financing activities of \$1.2 million in the prior year. During the three months ended February 28, 2003, the Company secured \$0.5 million from 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. In addition, the Company drew down \$0.7 million from a credit facility provided by Levfam Finance Inc.

Cash flow used in investment activities for the three months ended February 29, 2004 was \$0.2 compared to cash flow from investment activities of \$27,000 in the prior year. The decrease in cash flow from investment activities reflects some increased fixed asset additions and the inclusion of PrideVision TV's operating loss from November 29, 2003 to February 29, 2004.

With the existing credit facilities and financing in place, assuming the successful execution of its business plan, and pending the refinancing of The Score's bank credit facility that matured on February 29, 2004 but was extended to April 16, 2004, management believes there are sufficient resources to fund operations until the end of Fiscal 2004. Beyond Fiscal 2004, the Company will require additional funding in order to continue operations and service the commitments under existing agreements.

The Company's successful execution of its business plans are 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.

The Company will be pursuing 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, a 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.

Other

Please refer to the attached interim 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 focused on the specialty television sector through its main asset, The Score Television Network ("The Score"). The Score is a national specialty television service providing sports, news, information, highlights and live event programming, available across Canada in over 5.4 million homes. HMG also owns PrideVision TV, the world's first 24/7 GLBT television network, and The St. Clair Group, a Canadian 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)

(unaudited)

	February 29, 2004	August 31, 2003	February 28, 2003
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,458	\$ 4,054	\$ 1,505
Accounts receivable	4,656	3,882	5,800
Prepaid expenses and deposits	284	1,592	1,210
Current assets of discontinued operations (note 1 (b))	295	321	602
	<u>7,693</u>	<u>9,849</u>	<u>9,117</u>
Fixed assets	2,508	2,403	2,918
Deferred charges (note 1 (c))	481	558	651
	<u>\$ 10,682</u>	<u>\$ 12,810</u>	<u>\$ 12,686</u>
Liabilities and Shareholders' Deficiency			
Current liabilities:			
Loans	\$ 14,300	\$ 14,300	\$ 13,100
Accounts payable and accrued liabilities	4,167	4,666	5,182
Unearned revenue	393	24	1,050
Current liabilities of discontinued operations (note 1 (b))	1,155	1,572	2,028
	<u>20,015</u>	<u>20,562</u>	<u>21,360</u>
Loans		-	2,680
Shareholders' deficiency			
Capital stock	78,787	78,763	73,844
Warrants	-	-	302
Contributed surplus	622	622	320
Deficit	(88,742)	(87,137)	(85,820)
	<u>(9,333)</u>	<u>(7,752)</u>	<u>(11,354)</u>
	<u>\$ 10,682</u>	<u>\$ 12,810</u>	<u>\$ 12,686</u>

Headline Media Group Inc.
Consolidated Statements of Operations and Deficit
(in thousands of dollars, except per share amounts)
(unaudited)

	Three months ended		Six months ended	
	February 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003
Revenue	\$ 5,683	\$ 7,394	\$ 11,916	\$ 15,225
Production and other direct expenses	3,315	4,335	6,766	8,309
Selling, general and administrative expenses	2,022	2,241	4,041	4,556
Program rights	137	2,082	1,438	4,478
	<u>5,474</u>	<u>8,658</u>	<u>12,245</u>	<u>17,343</u>
Income (loss) before undernoted	209	(1,264)	(329)	(2,118)
Gain on sale of investment	-	-	0	443
Income(loss) before interest, income taxes, depreciation and amortization	209	(1,264)	(329)	(1,675)
Interest income	(3)	(1)	(7)	(27)
Interest expense	365	513	735	834
Depreciation	301	248	598	506
Amortization	46	46	95	111
Loss from continuing operations before income taxes	(500)	(2,070)	(1,750)	(3,099)
Income taxes	-	-	-	-
Loss from continuing operations	(500)	(2,070)	(1,750)	(3,099)
Income (Loss) from discontinued operations (note 1b))	-	(209)	145	(1,785)
Loss for the period	(500)	(2,279)	(1,605)	(4,884)
Deficit, beginning of period	(88,242)	(83,541)	(87,137)	(80,936)
Deficit, end of period	<u>\$ (88,742)</u>	<u>\$ (85,820)</u>	<u>\$ (88,742)</u>	<u>\$ (85,820)</u>
Loss per share from continuing operations - basis and diluted	\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ (0.05)
Loss per share - basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.07)</u>
Weighted average number of Class A Subordinate Voting and Special Voting Shares outstanding	<u>82,636,818</u>	<u>65,572,708</u>	<u>82,636,509</u>	<u>65,221,573</u>

Headline Media Group Inc.

Consolidated Statements of Cash Flows

(in thousands of dollars)

(unaudited)

	Three months ended		Six months ended	
	February 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003
Cash provided by (used in):				
Operations				
Loss from continuing operations	\$ (500)	\$ (2,070)	\$ (1,750)	\$ (3,099)
Items not involving cash:				
Depreciation	301	248	598	506
Amortization	46	46	95	111
Interest amortization	67	-	135	-
Non-cash compensation expense	12	-	24	-
Change in non-cash operating working capital balances:				
Accounts receivable	(600)	145	(774)	(1,458)
Prepaid expenses and deposits	262	318	1,308	1,382
Accounts payable and accrued liabilities	(254)	222	(499)	642
Unearned revenue	172	462	368	317
Cash flows provided by continuing operations	(494)	(629)	(495)	(1,599)
Cash Flows used in discontinued operations	(27)	(412)	(245)	(2,031)
Cash Flows used by operating activities	(521)	(1,041)	(740)	(3,630)
Financing:				
Issuance (repurchase) of common shares	-	500	-	500
Loans	-	680	-	680
	-	1,180	-	1,180
Investments:				
Fixed assets	(11)	(4)	(703)	(24)
Deferred charges	(153)	31	(153)	(32)
	(164)	27	(856)	(56)
Increase (decrease) in cash and cash equivalents	(685)	166	(1,596)	(2,506)
Cash and cash equivalents, beginning of period	3,143	1,339	4,054	4,011
Cash and cash equivalents, end of period	\$ 2,458	\$ 1,505	\$ 2,458	\$ 1,505
Supplemental cash flow information:				
Interest paid	\$ 261	\$ 265	\$ 526	\$ 517

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 29, 2004 and February 28, 2003 (unaudited)

Nature of operations

Headline Media Group Inc. is a media company focused on the specialty television sector through its main asset, The Score Television Network ("The Score"). The Score is a national specialty television service providing sports, news, information, highlights and live event programming, available across Canada in over 5.4 million homes. The Company also owns PrideVision TV, the world's first 24/7 gay, lesbian, bisexual and transgender ("GLBT") television network, and the St. Clair Group, a 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, 2003.

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 February 29, 2004 and the results of operations and cash flows for the three and six months ended February 29, 2004.

1. Basis of Presentation

(a) *Going Concern:*

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 planned execution of its revised business plan and pending the refinancing of The Score's bank credit facility that matures on February 29, 2004 (extended to April 16, 2004), the Company believes that there are sufficient resources to fund operations until the end of Fiscal 2004.

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 to the carrying value of assets and liabilities, the reported revenue and expenses, and the balance sheet classifications used.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 29, 2004 and February 28, 2003 (unaudited)

1. Basis of Presentation (cont.)

(b) Discontinued Operations

On November 28, 2003, the Board of Directors of PrideVision Inc. approved an agreement to sell the Canadian operations of PrideVision TV. The transaction is subject to approval by the Canadian Radio-Television and Telecommunications Commission. The value of the transaction is expected to be approximately \$2.6 million, comprised of \$1.5 million of cash and the assumption by the purchaser of certain liabilities related to PrideVision TV. The liabilities that would have been assumed by the purchaser totaled approximately \$1.1 million. The net gain from discontinued operations will be recorded when realized. As part of the transaction, the Company will retain the rights to develop PrideVision TV outside of Canada, and a 9.9% interest in PrideVision TV's Canadian operations. As a result of this transaction, the financial results of PrideVision TV are reflected as discontinued operations in these consolidated financial statements.

The following summarizes the balance sheet, statement of operations and statement of cash flows information for the Company's discontinued operations

Balance Sheet	February 29, 2004	February 28, 2003
Current assets	\$ 295	\$ 602
Current liabilities	1,155	2,028
Net assets (liabilities) of discontinued operations	\$ (860)	\$ (1,426)

Current assets of discontinued operations comprise mainly cash, accounts receivable and prepaid expenses for both 2004 and 2003. Current liabilities comprise mainly trade payables, deferred program rights and accrued liabilities.

Statement of Operations	Six months ended February 29, 2004	Six months ended February 28, 2003
Revenue	\$ 309	\$ 746
Operating Expenses	164	2,524
Loss before interest, income taxes, depreciation and amortization	\$ 145	\$ (1,778)
Interest expense	-	7
Income (loss) from discontinued operations	\$ 145	\$ (1,785)
Earnings (loss) per share from discontinued operations:		
Basic	\$ -	\$ (0.03)
Diluted	\$ -	\$ (0.03)

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 29, 2004 and February 28, 2003 (unaudited)

(c) *Deferred Charges:*

Included in Deferred Charges is \$153,000 in operating losses from PrideVision TV from November 29, 2003 to February 29, 2004. These losses will be recognized at the same time as the gain.

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, 2003 consolidated financial statements, except as follows:

(a) *Stock-based compensation:*

CICA Handbook Section 3870 does not require the recording of compensation cost at fair value options issued to employees; it does require disclosure of pro forma net loss and loss per share information as if the Company had measured options issued to employees under the fair value method and recognizes the fair value over the vesting period. This information is as follows:

	Three months ended February 29, 2004	Three months ended February 28, 2003
Loss for the period, as reported	\$ (500)	\$ (2,279)
Pro forma loss for the period	(514)	(2,287)
Pro forma loss per share, basic and diluted	\$ (0.01)	\$ (0.03)

	Six months ended February 29, 2004	Six months ended February 28, 2003
Loss for the period, as reported	\$ (1,605)	\$ (4,884)
Pro forma loss for the period	(1,636)	(4,893)
Pro forma loss per share, basic and diluted	\$ (0.02)	\$ (0.08)

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 29, 2004 and February 28, 2003 (unaudited)

3. Capital stock:

Capital stock consists of the following:

	February 29, 2004	August 31, 2003
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		
82,627,450 Class A Subordinate Voting shares (August 31, 2003 – 82,626,200);	\$78,757	\$ 78,733
10,000 Special Voting shares (August 31, 2003 – 10,000)	30	30
	<hr/> \$78,787	<hr/> \$ 78,763

In January 2003, the Company completed a 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.

In August 2003, the Company completed a private placement of 16,333,333 Class A Subordinate Voting shares at a price of \$0.30 per share. The gross proceeds of the private placement were \$4,900.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 29, 2004 and February 28, 2003 (unaudited)

3. Capital stock (cont.):

Stock Option Plan:

The following table summarizes the outstanding options of the Plan:

Six months ended February 29, 2004	Number	Exercise price	Weighted average exercise price	Options exercisable
Outstanding options, September 1, 2003	2,697,499	\$0.28 – 3.11	\$1.84	
Granted	--	--	--	
Cancelled	(101,415)	\$0.28 - \$3.00	\$0.65	
Exercised	(1,250)	\$0.28		
Outstanding options, February 29, 2004	2,594,834	\$0.28 – 3.11	\$1.88	1,821,250

As at February 29, 2004 the weighted average remaining contractual life of the options exercisable and outstanding was 2.0 years and 2.4 years, respectively.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 29, 2004 and February 28, 2003 (unaudited)

4. Segmented information:

The Company has three business units comprised of The Score Television Network Ltd., St. Clair Group Investments Inc. and Corporate. These operating segments are substantially in Canada. The Score is a specialty television network. St. Clair provides 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, income 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 in the August 31, 2003 consolidated financial statements.

Information by operating group is as follows:

Three months ended February 29, 2004	The Score	St. Clair	Corporate	Consolidated Total
Revenue				
Advertising	\$ 2,650	\$ 1,300	\$ --	\$ 3,950
Subscriber fees	1,733	--	--	1,733
	<u>4,383</u>	<u>1,300</u>	<u>--</u>	<u>5,683</u>
Income (loss) from continuing operations before undernoted	689	188	(668)	209
Gain on sale of investment	--	--	--	--
Income (loss) from continuing operations before interest, income taxes, depreciation and amortization	\$ 689	\$ 188	\$ (668)	\$ 209
Interest expense, net				362
Depreciation and amortization				<u>347</u>
Income (loss) from continuing operations				(500)
Income (loss) from discontinued operations				-
Loss for the period				<u>\$ (500)</u>
Total assets	\$ 7,488	\$ 1,971	\$ 1,070	\$ 10,529

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 29, 2004 and February 28, 2003 (unaudited)

4. Segmented information (continued):

Three months ended February 28, 2003	The Score	St. Clair	Corporate	Consolidated Total
Revenue				
Advertising	\$ 2,345	\$ 3,497	\$ --	\$ 5,842
Subscriber fees	1,552	--	--	1,552
	3,897	3,497	--	7,394
Income (loss) from continuing operations before undernoted	(608)	(53)	\$ (603)	(1,264)
Gain on sale of investment	--	--	--	--
Income (loss) from continuing operations before interest, income taxes, depreciation and amortization	\$ (608)	\$ (53)	\$ (603)	\$ (1,264)
Interest expense, net				512
Depreciation and amortization				294
Income (loss) from continuing operations				(2,070)
Income (loss) from discontinued operations				(209)
Loss for the period				\$ (2,279)
Total assets	\$ 7,847	\$ 4,185	\$ 654	\$ 12,686

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 29, 2004 and February 28, 2003 (unaudited)

4. Segmented information (continued):

Six months ended February 29, 2004	The Score	St. Clair	Corporate	Consolidated Total
Revenue				
Advertising	\$ 6,118	\$ 2,342	\$ --	\$ 8,460
Subscriber fees	3,456	--	--	3,456
	9,574	2,342	--	11,916
Income (loss) from continuing operations before undernoted	798	36	(1,163)	(329)
Gain on sale of investment	--	--	--	--
Income (loss) from continuing operations before interest, income taxes, depreciation and amortization	\$ 798	\$ 36	\$ (1,163)	\$ (329)
Interest expense, net				728
Depreciation and amortization				693
Income (loss) from continuing operations				(1,750)
Income from discontinued operations				(145)
Loss for the period				\$ (1,605)
Total assets	\$ 7,488	\$ 1,971	\$ 1,070	\$ 10,529

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 29, 2004 and February 28, 2003 (unaudited)

4. Segmented information (continued):

Six months ended February 28, 2003	The Score	St. Clair	Corporate	Consolidated Total
Revenue				
Advertising	\$ 6,322	\$ 5,776	\$ --	\$ 12,098
Subscriber fees	3,127	--	--	3,127
	9,449	5,776	--	15,225
Income (loss) from continuing operations before undernoted	(469)	(400)	(1,249)	(2,118)
Gain on sale of investment	--	--	443	443
Income (loss) from continuing operations before interest, income taxes, depreciation and amortization	\$ (469)	\$ (400)	\$ (806)	\$ (1,675)
Interest expense, net				807
Depreciation and amortization				617
Income (loss) from continuing operations				(3,099)
Income (loss) from discontinued operations				(1,785)
Loss for the period				\$ (4,884)
Total assets	\$ 7,847	\$ 4,185	\$ 654	\$ 12,686