



HEADLINE MEDIA GROUP REPORTS CONTINUED GROWTH IN OPERATING PROFIT

*Operating Profit of \$1.0 million for the 3 months ended November 30, 2004,
An increase of \$1.4 million over 3 months ended November 30, 2003*

HIGHLIGHTS

- *Net income from continuing operations before interest, income taxes, depreciation and amortization* (see "Definitions") for the Company for the three months ended November 30, 2004 was \$1.0 million compared to a loss of \$0.4 million in the same period last year, an increase of \$1.4 million.
- *Net income* for the Company for the three months ended November 30, 2004 was \$0.5 million, compared to a loss of \$1.1 million in the prior year, an increase of \$1.6 million.
- The Company intends to seek shareholder approval in 2005 to change the name of the Company to Score Media Inc. as a result of changes that have taken place at the Company over the past two years, including a refocusing of operations on sports media properties through the Company's main asset, The Score Television Network Ltd.

DEFINITIONS

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 5.5 million homes.

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 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 and is a standard measure that is commonly reported and widely used in the industry to assist understanding and comparing operating results.

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

	Three months ended November 30, 2004	Three months ended November 30, 2003
Net income (loss) for the period	\$ 513	\$ (1,104)
Add back:		
Income (loss) from discontinued operations	-	77
Depreciation and amortization	283	340
Interest expense, net	236	301
Net income (loss) before interest, income taxes, depreciation and amortization	\$ 1,032	\$ (386)

Consolidated Results

The following selected quarterly financial data of the Corporation relates to the two years ended November 30, 2004, and is derived from the audited financial statements of the Corporation.

	Revenue	Income (loss) from continuing operations	Income (loss) from discontinued operations	Net income (loss)	Income (loss) per share from continuing operations	Income (loss) per share
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$)	(\$)
Quarterly Results						
November 30, 2004	6,046	513	-	513	0.01	0.01
August 31, 2004	4,766	(568)	1,607	1,039	(0.01)	0.01
May 31, 2004	5,623	161	231	392	0.00	0.00
February 29, 2004	4,383	(618)	(35)	(653)	(0.01)	(0.01)
November 30, 2003	5,191	(1,027)	(77)	(1,104)	(0.01)	(0.01)
August 31, 2003	4,278	(1,421)	(204)	(1,625)	(0.02)	(0.02)
May 31, 2003	5,477	(617)	925	308	(0.01)	0.00
February 28, 2003	3,822	(2,191)	(88)	(2,279)	(0.03)	(0.03)

Revenue for the first quarter increased by \$0.9 million to \$6.1 million compared to 5.2 million in the prior year. This increase was due to an increase in subscriber fee revenue amounting to \$0.8 million and an increase in advertising revenue of \$0.1 million.

Operating expenses excluding rights fees increased by \$0.5 million during the quarter to \$4.8 million compared to \$4.3 million in the prior year. The increase was primarily due to increased programming and production expenses at The Score due to the launch of several new shows, as well as some increased administrative expenses associated with expanded production facilities.

Program rights expenses were \$0.3 million during the quarter, compared to \$1.3 million 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.

Net income from continuing operations before interest, income taxes, depreciation and amortization for the Company for the three months ended November 30, 2004 was \$1.0 million, an increase of \$1.4 million from a loss of \$0.4 million in the same period last year. This arose due to its increase in revenues and decrease in program rights, offset in part by an increase in operating expenses.

Interest expense for the first quarter was approximately \$0.2 million compared to approximately \$0.3 million in the prior year. The decrease of approximately \$0.1 million reflects lower bank borrowings as well as lower borrowings on a credit facility provided by a related party. The reductions in both credit facilities resulted from improved cash flows from operations during fiscal 2004 as well as the proceeds received on the sale of a discontinued operation.

Depreciation and amortization expense of \$0.3 million in the first quarter was comparable to the prior year. For the three months ended November 30, 2004 and 2003, fixed asset additions amounted to \$0.5 million and \$0.7 million respectively.

Net income from discontinued operations for the Company for the three months ended November 30, 2004 was nil, an increase of \$77,000 from a loss of \$77,000 in the same period last year. The latter amount reflects the financial results of PrideVision TV and St. Clair Group Investments Inc.. On November 28, 2003, the Board of Directors of PrideVision Inc. approved an agreement to sell the Canadian operations of PrideVision TV, a Category 1 digital specialty television service, focused on the gay, lesbian, bisexual and transgender communities. On July 29, 2004, PrideVision Inc. completed the previously approved transaction for total cash proceeds of \$1.350 million and the assumption of \$0.9 million in liabilities. The transaction resulted in a gain of \$1.6M. In addition, during fiscal 2004, the operations of St. Clair were substantially restructured, and ultimately discontinued in October 2004 as a result of certain sports marketing contracts which were not renewed.

Net income for the three months ended November 30, 2004 was \$0.5 million or \$0.01 per share based on a weighted average 82.8 million Class A Subordinate Voting Shares and Special Voting Shares outstanding compared to a loss of \$1.1 million in the prior year or (\$0.01) per share based on a weighted average 82.6 million Class A Subordinate Voting Shares and Special Voting Shares outstanding.

Liquidity and Capital Resources

Cash flows used in continuing operations for the three months ended November 30, 2004 were \$0.7 million compared cash flows provided by continuing operations of \$0.2 million in the prior year reflecting significantly improved income from continuing operations in the current year offset by working capital movements. Cash flows provided by discontinued operations were \$0.3 million compared to cash flows used by discontinued operations of \$0.2 million in the prior year.

For fiscal 2005, the Company anticipates that cash flows provided by operations will increase compared to fiscal 2004 based on anticipated increases in both advertising and subscriber revenues with more moderate increases in operating expenses. The Company has sufficient working capital lines of credit to support its operations and anticipates that these lines of credit will be successfully refinanced on the maturity dates discussed below.

Cash flow provided by financing activities for the three months ended November 30, 2004 was \$0.5 million compared to nil in the prior year as a result of a drawdown by the Company on its line of credit provided by a related party. At November 30, 2004, total short-term loans were \$12.4 million compared to \$14.3 million as at November 30, 2003.

As discussed below, the Company has a bank credit facility and a secured standby credit facility currently authorized in the amount of \$16.3 million. Both facilities, which are classified as current liabilities, mature on August 31, 2005. The Company anticipates that it will be able to refinance both of these facilities on or before their respective maturity dates.

Cash flows used in investment activities for the three months ended November 30, 2004 was \$0.5 million compared to cash flow used in investment activities of \$0.7 million in the prior year.

These amounts relate to capital expenditures to expand and improve programming and production facilities at The Score Television Network.

For the entire fiscal 2005 year, the Company anticipates that expenditures on new and replacement fixed assets will be approximately \$1.8 million, which can be financed by cash flows from operations.

Other than the credit facilities described below, the Company has no other financial instruments and thus believes that there are no price, credit or liquidity risks that it could be subject to from such instruments.

The following is a summary of the significant financing activities undertaken by the Company during the years ended August 31, 2004 and 2003 to secure financing for its ongoing business operations:

The Score

In April 2004, the Company's subsidiary, The Score, amended its bank credit facility, which was initially established December 2001. The amended bank credit facility allows The Score to borrow up to \$15.0 million reducing to \$14.5 million on August 31, 2004 and \$14.0 million on February 28, 2005 by way of prime rate loans, bankers' acceptances or letters of guarantee. The bank credit facility matures August 31, 2005. Prime rate loans bear interest at the prime rate plus 3.25%. Bankers' acceptances bear interest at bankers' acceptances rates plus 4.25%.

Loans under the bank credit 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 inter-company debt from the Company to The Score. The loans are secured and are pledged and subordinated to the credit facility.

The provisions of the amended bank 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 earnings before interest, taxes, depreciation and amortization (EBITDA), maximum capital expenditure amounts and minimum aggregate free cash flow. In addition, the agreement has a number of events of default, including solvency tests for the Company and The Score. The Score maintained compliance with all of its financial covenants and other restrictions during fiscal 2004 and the first quarter of fiscal 2005. As at November 30, 2004, \$11.9 million of the bank credit facility had been drawn.

The Score is prohibited under the bank credit facility from advancing funds to the Company other than for services provided in the ordinary course of business. The Score and the Company have sufficient financial resources to finance their respective operations for fiscal 2005. With the financing arrangements currently in place and the refinancing of The Score's bank credit facility that matures on August 31, 2005 to be available to finance the consolidated operations, the Company believes that there are sufficient resources to fund operations.

In August 2002, The Score entered into a credit facility agreement for a \$2.0 million operating loan with Levfam Finance Inc., a company related by virtue of common control. In August 2003, the Company advanced approximately \$2.4 million of the proceeds of a \$4.9 million private placement of Class A Subordinate Voting Shares to The Score to fund the repayment of the operating loan plus accrued interest. The credit facility was repaid in full in August 2003.

Headline Media Group Inc.

In April 2002, the Company entered into a secured standby credit facility of up to \$2.3 million with Levfam Finance Inc., a company related by virtue of common control. The credit facility was subsequently amended in November 2002 and August 2003 and now matures on August 31, 2005. The credit facility bears interest at 12% per annum. The standby credit facility is secured by a first charge over all of the Company's assets, with the exception of its shares in The Score and St. Clair Group Investments Inc.. As at August 31, 2004, \$0.2 million of accrued interest on this facility was outstanding.

In January 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 August 2003, the Company issued 16,333,333 Class A Subordinate Voting Shares by way of a non-brokered private placement at a price of \$.30 per share, for gross proceeds of \$4.9 million.

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.

Related Party Transactions

The Company and Levfam Finance Inc. are related by virtue of common control. Levfam Finance Inc. has provided credit facilities to both The Score and Headline Media Group, its parent company.

Interest on the Levfam Finance Inc. credit facility to Headline Media Group amounted to approximately \$ 10,000 during the three months ended November 30, 2004 compared to approximately \$ 37,000 in the corresponding quarter of the prior year.

During the three months ended November 30, 2004, the Company retained legal services from a firm, one of whose partners is a director of the Company. These services were provided in the ordinary course of business and the fees for services rendered amounted to \$21,640 in the first quarter of fiscal 2005. A second director provided consulting services for the Company during the three months ended November 30, 2004 and received approximately \$12,000 for such services. All related party transactions have been recorded at their fair values.

Contractual Obligations

The Company has no debt guarantees, capital leases or long-term obligations other than loans which are disclosed on the Consolidated Balance Sheets as at November 30, 2004, and August 31, 2004.

Contractual operating obligations as at November 30, 2004 are as follows:

Contractual Obligations (in thousands of dollars)		2005	2006	Thereafter	Total
Operating lease obligations		\$1,070	\$1,306	\$2,554	\$4,930
Programming rights obligations		\$1,082	\$1,303	\$ 112	\$2,497

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in determining the allowance for doubtful accounts, the recoverability of fixed assets and deferred charges. In making such estimates and assumptions, management consults with employees knowledgeable in the area; gathers relevant information; where appropriate, seeks advice from qualified third parties, and, makes judgments, which in the opinion at that time, represent fair, balanced and appropriate conservative estimates and assumptions.

Stock-based compensation and other stock based payments

In 2003, the CICA amended Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments", to require the recording of compensation expense on the granting of all stock-based compensation awards, including stock options to employees, calculated using the fair value method. The Company adopted this standard on September 1, 2004.

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 5.5 million homes.

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.

- 30 -

For further information, please contact:

Patrick Michaud
Executive Vice President and CFO
(905) 522-0471

Headline Media Group Inc.

Consolidated Balance Sheets

(in thousands of dollars)

(unaudited)

	November 30, 2004	August 31, 2004
		(Restated - Note 1b)
Assets		
Current assets:		
Cash and cash equivalents	\$ 312	\$ 626
Accounts receivable	4,608	3,660
Prepaid expenses and deposits	593	308
Current assets of discontinued operations (note 1b)	47	626
	<u>5,560</u>	<u>5,220</u>
Fixed assets	2,443	2,111
Deferred charges	586	711
	<u>8,589</u>	<u>8,042</u>
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Loans	\$ 12,390	\$ 11,865
Accounts payable and accrued liabilities	3,601	3,878
Current liabilities of discontinued operations (note 1b)	157	393
	<u>16,148</u>	<u>16,136</u>
Loans	-	-
Shareholders' deficiency		
Capital stock	78,870	78,848
Contributed surplus	696	622
Deficit	(87,125)	(87,564)
	<u>(7,559)</u>	<u>(8,094)</u>
	<u>\$ 8,589</u>	<u>\$ 8,042</u>

Headline Media Group Inc.

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

	Three months ended November 30,	
	2004	2003
	(Restated - Note 1b)	
Revenue	\$ 6,046	\$ 5,191
Production and other direct expenses	3,078	2,693
Selling, general and administrative expenses	1,686	1,576
Program rights	250	1,308
	<u>5,014</u>	<u>5,577</u>
Income (loss) before interest, income taxes, depreciation and amortization	1,032	(386)
Interest expense	236	301
Depreciation	157	223
Amortization	126	117
	<u>513</u>	<u>(1,027)</u>
Income (loss) before income taxes	513	(1,027)
Income taxes	-	-
	<u>513</u>	<u>(1,027)</u>
Income (loss) from continuing operations	513	(1,027)
Income (loss) from discontinued operations (note 1b)	-	(77)
	<u>513</u>	<u>(1,104)</u>
Income (loss) for the period	\$ 513	\$ (1,104)
Deficit, beginning of period	(87,564)	(87,137)
Adjustment for change in accounting for stock option compensation	(74)	-
Deficit, end of period	<u>\$ (87,125)</u>	<u>\$ (88,241)</u>
Income (loss) per share from continuing operations - basic and diluted	<u>\$ 0.01</u>	<u>\$ (0.01)</u>
Income (loss) per share - basic and diluted	<u>\$ 0.01</u>	<u>\$ (0.01)</u>
Weighted average number of Class A Subordinate Voting and Special Voting Shares outstanding - Basic	82,771,910	82,636,200
Diluted	<u>82,983,432</u>	<u>82,636,200</u>

Headline Media Group Inc.

Consolidated Statements of Cash Flows

(in thousands of dollars)

(unaudited)

	Three months ended	
	November	
	2004	2003
		(Restated - Note 1b)
Cash provided by (used in):		
Operations		
Income (Loss) from continuing operations	\$ 513	\$ (1,027)
Items not involving cash:		
Depreciation	157	223
Amortization	20	49
Interest amortization	106	68
Non-cash compensation expense	21	12
Change in non-cash operating working capital balances:		
Accounts receivable	(948)	(10)
Prepaid expenses and deposits	(285)	815
Accounts payable and accrued liabilities	(277)	64
Unearned revenue	-	-
Cash Flows Provided by (Used in) Continuing Operations	<u>(693)</u>	<u>194</u>
Cash Flows (Used in) provided by Discontinued Operations	<u>342</u>	<u>(220)</u>
Cash Flows used in Operating Activities	<u>(351)</u>	<u>(26)</u>
Financing:		
Issuance of common shares	1	-
Loans	<u>525</u>	<u>-</u>
	<u>526</u>	<u>-</u>
Investments:		
Fixed assets	<u>(489)</u>	<u>(692)</u>
	<u>(489)</u>	<u>(692)</u>
Decrease in cash and cash equivalents from continuing operations	(314)	(718)
Cash and cash equivalents, beginning of period	626	2,636
Cash and cash equivalents, end of period	<u>\$ 312</u>	<u>\$ 1,918</u>

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2004 and November 30, 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 approximately 5.5 million homes.

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, 2004.

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, 2004 and the results of operations and cash flows for the three months ended November 30, 2004 and November 30, 2003.

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.

Based on the Company's business plan and the financing arrangements currently in place and pending the refinancing of The Score's bank credit facility that matures on August 31, 2005, the Company believes there are sufficient resources to fund operations.

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 months ended November 30, 2004 and November 30, 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, a Category 1 digital specialty television service, focused on the gay, lesbian, bisexual and transgender communities. The financial results of PrideVision TV have been reflected as discontinued operations since November 28, 2003. On July 29, 2004, PrideVision Inc. was sold for total cash proceeds of \$1,350 and the assumption of \$900 in liabilities, for a total gain of \$1,600 which was recorded in the fourth quarter of fiscal 2004.

Throughout fiscal 2004, Headline operated St. Clair Group Investments Inc. ("St. Clair"), a Canadian sports marketing and specialty publishing company. During fiscal 2004, the operations of St. Clair were substantially restructured, and ultimately discontinued in October 2004 as a result of certain sports marketing contracts which were not renewed.

The results of PrideVision TV and St. Clair have been excluded from continuing operations in the statements of operations and deficit for all periods presented.

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

Balance Sheet	November 30, 2004	August 31, 2004
Current assets	\$ 47	\$ 626
Current liabilities	157	393
Net assets (liabilities) of discontinued operations	\$ (110)	\$ 233

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 in St. Clair.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2004 and November 30, 2003 (unaudited)

1. Basis of Presentation (cont.)

Three months ended November 30, 2004	St. Clair	PrideVision	Total
Revenue	\$ -	\$ -	\$ -
Operating Expenses	-	-	-
Income (loss) from continuing operations before interest, income taxes, depreciation and amortization	-	-	-
Interest expense, net	-	-	-
Depreciation and amortization	-	-	-
Income (loss) from discontinued operations	-	-	-

Three months ended November 30, 2003	St. Clair	PrideVision	Total
Revenue	\$ 1,043	\$ 309	\$ 1,352
Operating Expenses	1,195	164	1,359
Income (loss) from continuing operations before interest, income taxes, depreciation and amortization	(152)	145	(7)
Interest income	4	-	4
Depreciation and amortization	74	-	74
Income (loss) from discontinued operations	(222)	145	(77)

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2004 and November 30, 2003 (unaudited)

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, 2004 consolidated financial statements, except as follows:

(a) *Stock-based compensation:*

Effective September 1, 2004, Canadian GAAP requires the Company to estimate the fair value of stock-based compensation granted to employees and to expense the fair value over the estimated vesting period of the stock options. In accordance with the transition rules, the Company determined the fair value of stock options granted to employees since September 2002, using the Black-Scholes Option Pricing model. Prior periods were not re-stated and the Company recorded an adjustment to its opening deficit in the amount of \$74 representing the expense for the 2003 and 2004 fiscal year. The offset to the deficit is an increase in the contributed surplus. The estimated impact of adopting this accounting standard in 2005 will be an increase in compensation expense of approximately \$120 for fiscal 2005. For the three month period ending November 30, 2004, an expense with respect to stock based compensation in the amount of \$21 has been recorded.

In the 3 months ending November 30, 2003, based on stock options issued subsequent to September 2002, the stock based compensation expense for this period would have been \$18 and the pro-forma loss for the three months ended November 30, 2003 would have been \$1,122 or \$0.01 per share.

During the three months ended November 30, 2004, 645,000 options were granted. The weighted average estimated fair value at the date of the grant for the options granted was \$0.30. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Three months ended Nov 30, 2004	Three months ended Nov 30, 2003
Risk-free interest rate	4%	4%
Dividend yield	—	-
Volatility factor of the future expected market price of common shares	95%	95%
Weighted average expected life of the options	5 years	5 years

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2004 and November 30, 2003 (unaudited)

3. Capital stock:

Capital stock consists of the following:

	Nov 30, 2004	Aug 31, 2004
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		
82,763,284 Class A Subordinate Voting shares (August 31, 2004 – 82,760,784);	\$78,840	\$ 78,818
10,000 Special Voting shares (August 31, 2003 – 10,000)	30	30
	\$78,870	\$ 78,848

Stock Option Plan:

The following table summarizes the outstanding options of the Plan:

Three months ended November 30, 2004	Number	Exercise price	Weighted average exercise price	Options exercisable
Outstanding options, September 1, 2004	2,305,000	\$0.28 - \$3.13	\$2.02	1,862,500
Granted	645,000	\$0.43	\$0.43	
Cancelled	(90,000)	\$0.28 - \$3.00	\$1.76	
Exercised	(2,500)	\$0.28	\$0.28	
Outstanding options, November 30, 2004	2,875,500	\$0.28 – 3.13	\$1.67	1,884,166

As at November 30, 2004 the weighted average remaining contractual life of the options exercisable and outstanding was 0.9 years and 2.0 years, respectively.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2004 and November 30, 2003 (unaudited)

4. Segmented information:

The Company has one business unit - The Score Television Network Ltd - which operates is substantially in Canada; thus operations are not presented on a segmented basis.

5. Related Party Transactions:

Interest on the Levfam Finance Inc. credit facility to Headline Media Group amounted to approximately \$10 during the three months ended November 30, 2004 compared to approximately \$37 in the corresponding quarter of the prior year.

During the three months ended November 30, 2004, the Company retained legal services from a firm, one of whose partners is a director of the Company. These services were provided in the ordinary course of business and the fees for services rendered amounted to approximately \$22 in the first quarter of fiscal 2005, compared to \$20 for the quarter ending November 30, 2003. A second director provided consulting services for the Company during the three months ended November 30, 2004 and received approximately \$12 for such services, compared to \$3 in the corresponding quarter of the prior year.. All related party transactions have been recorded at their fair values.