



S C O R E
M E D I A

Q3 – 2006
Consolidated Financial Statements
For the Three and Nine Months Ended
May 31, 2006



SCORE
MEDIA

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the Three and Nine Months Ended May 31, 2006**

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of Score Media Inc. ("Score Media" or the "Company") and our financial performance for the three months and nine months ended May 31, 2006. All amounts are in Canadian dollars unless otherwise stated. As a result of rounding differences, certain figures in this MD&A may not total.

Statements in this MD&A 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. The information presented in this MD&A is as of June 28th, 2006.

HIGHLIGHTS

- *Revenue* for the three months ended May 31, 2006 increased 9.3 % to \$8.0 million compared to \$7.3 million in the same period last year, an increase of \$0.7 million. Revenue for the nine months ended May 31, 2006 increased 16.8% to \$22.1 million compared to \$19.0 million in the same period last year, an increase of \$3.1 million. These increases were due to a combination of greater television subscriber revenue, increased television advertising revenue, and revenues from Hardcore Sports Radio and Score Media's interactive properties that were launched in the past 12 months.
- *Net income before interest, income taxes, depreciation and amortization* (see "Definitions") for the Company for the three months ended May 31, 2006 was \$2.0 million compared to \$2.3 million in the same period last year; in the prior year the Company had generated a gain on sale of an investment of \$0.3 million. The results for these three months also included increased costs associated with The Score's coverage of NHL hockey and attendant rights fees which were not incurred in the prior year on account of the NHL's labour dispute.
- *Net income before interest, income taxes, depreciation and amortization* for the nine months ended May 31, 2006 was \$4.3 million compared to \$4.1 million in the same period last year, an increase of \$0.2 million. Before the afore-mentioned gain on sale of

an investment in the prior year, net income before interest, income taxes, depreciation and amortization increased by \$0.5 million over the prior year.

- *Net income* for the three months ended May 31, 2006 was \$1.7 million, compared to \$1.9 million in the prior year. For the nine months ended May 31, 2006, net income was \$3.2 million, compared to \$2.5 million in the prior year. During the three and nine months ended May 31, 2006, income from discontinued operations was \$0.1 million compared to \$0.2 million in the same period last year.

Overview

The Company is a media company committed to creating consumer value through creative solutions, technology and innovation in response to sports fans' growing desire for increased participation in their consumption of sports content. The Company's main asset is The Score Television Network ("The Score"), a national specialty television service providing sports news, information, highlights and live event programming, available across Canada in more than 5.8 million homes. The Company also operates Hardcore Sports Radio, a satellite radio network available across North America on Sirius Satellite Radio, and is building an interactive platform through its Score Media Ventures division, with assets including The Score's website, Score Mobile, Canada's leading wireless sports application, and Score Poker, an interactive play-for-fun poker site, which was re-launched in June 2006.

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 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) from operations 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 in understanding and comparing operating results. The Company utilizes Net income (loss) from operations before interest, income taxes, depreciation and amortization to measure operating performance and assess compliance with certain debt covenants.

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

	Three months ended May 31, 2006	Three months ended May 31, 2005
Income for the period	\$ 1,709	\$ 1,876
Less:		
Income from discontinued operations	91	148
Add back:		
Depreciation and amortization	298	318
Interest expense (net)	58	273
Income before interest, income taxes, depreciation and amortization	\$ 1,974	\$ 2,319

	Nine months ended May 31, 2006	Nine months ended May 31, 2005
Income for the period	\$ 3,231	\$ 2,542
Less:		
Income from discontinued operations	91	148
Add back:		
Depreciation and amortization	838	886
Interest expense (net)	323	771
Income before interest, income taxes, depreciation and amortization	\$ 4,301	\$ 4,051

Consolidated Results

The following selected quarterly financial data of the Corporation relates to the eight quarters ended May 31, 2006.

Quarterly Results	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)	(\$)	(\$)
May 31, 2006	8,010	1,618	91	1,709	0.02	0.02
February 28, 2006	6,750	413	-	413	0.00	0.00
November 30, 2005	7,380	1,109	-	1,109	0.01	0.01
August 31, 2005	6,104	211	-	211	0.00	0.00
May 31, 2005	7,326	1,728	148	1,876	0.02	0.02
February 28, 2005	5,587	153	-	153	0.00	0.00
November 30, 2004	6,046	513	-	513	0.01	0.01
August 31, 2004	4,766	(568)	1,353	785	(0.01)	0.01

The Company's revenues have historically reflected a seasonality trend, with the third quarter (ending May 31st) being the strongest, followed by the first quarter (ending November 30th), the fourth quarter (ending August 31st) and finally the second quarter (ending February 28th). This seasonality reflects general trends for sports media advertising, which in turn reflects the schedules (particularly the playoffs) of the major sports leagues. Therefore, one quarter's operating results is not indicative of the performance for the balance of the year.

Three Months Ended May 31, 2006

Revenue for the three months ended May 31, 2006 increased by \$0.7 million to \$8.0 million compared to \$7.3 million in the prior year. This increase was due to a combination of greater television subscriber revenue, increased television advertising revenue, and revenues from Hardcore Sports Radio and Score Media's interactive properties that were launched in the past 12 months.

Television subscriber revenue increased approximately \$0.1 million in the third quarter reflecting continued growth in the subscriber base with several broadcast distribution undertakings, compared to the third quarter of fiscal 2005. Television advertising revenue increased by approximately \$0.4 million during the third quarter, reflecting successes in marketing several new live event sports programs, as well as continued advertising growth associated with the Company's news programs. This advertising growth was supplemented with revenue of approximately \$0.2 million from the new business units.

Operating expenses excluding rights fees were \$5.4 million during the quarter, compared to \$4.9 million in the prior year, representing an increase of \$0.5 million due to increased programming expenses resulting from more live event programming, higher compensation costs from general

staffing increases, marketing expenses associated with the launch of new initiatives and greater occupancy costs at the Company's facilities.

Program rights expenses were \$0.6 million during the quarter, compared to \$0.4 million in the prior year. The increase in program rights at The Score reflects higher program rights fees for English Premier League football, Toronto Raptors basketball as well as NCAA basketball. In addition, no expenses were incurred for NHL hockey rights in the prior year due to a labour dispute between the league and its players association, and thus these rights were re-instated during the nine month period ended May 31, 2006.

Net income from continuing operations before interest, income taxes, depreciation and amortization was \$2.0 million compared to \$2.3 million in the same period last year, a decrease of \$0.3 million. During the third quarter ended May 31, 2005, the Company disposed of an investment whose carrying value had been nil, and realized a gain on sale of \$0.3 million.

Interest expense for the third quarter of approximately \$0.1 million declined compared to \$0.3 million in the same period last year due to lower average bank loan balances during the third quarter compared to the prior year. The Company completed the sale of 11,800,000 Class A Subordinate voting shares to the public at a price of \$0.85 per share during the second quarter of fiscal 2006 for net proceeds of \$10.4 million which resulted in lower average bank loan balances as well as interest income on cash and cash equivalents.

Depreciation and amortization expense of \$0.3 million in the third quarter was comparable to the prior year. For the third quarter, fixed asset additions were approximately \$0.5 million compared to \$0.4 million in the prior year; fixed asset additions were largely associated with expanding television broadcasting with a "high definition" channel that was launched following the end of the second quarter.

Net income for the three months ended May 31, 2006 was \$1.7 million or \$0.02 per share based on a weighted average 96.3 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to \$1.9 million or \$0.02 per share based on a weighted average 83.0 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

Nine months Ended May 31, 2006

Revenue for the nine months ended May 31, 2006 increased by \$3.1 million to \$22.1 million compared to \$19.0 million in the prior year. This increase was due to approximately \$0.8 million increased television subscriber revenue, approximately \$1.8 million increased television advertising revenue and approximately \$0.5 million of revenues from Hardcore Sports Radio and Score Media's interactive properties that were launched in the past 12 months.

Operating expenses excluding rights fees were \$16.0 million for the nine months ended May 31, 2006 compared to \$14.1 million in the prior year, representing an increase of \$1.9 million. This increase resulted from higher programming expenses associated with more live event programming, higher compensation costs from general staffing increases, marketing expenses

associated with the launch of new initiatives and greater occupancy costs at the Company's facilities.

Program rights were \$1.8 million during the nine month period ended May 31, 2006, compared to \$1.0 million in the prior year. Certain program rights for the nine month period ended May 31, 2006 increased for live events such as Toronto Raptors basketball and NCAA basketball, while new live event programs such as English Premier League football were added to the television broadcast schedule. In addition, no expenses were incurred for NHL hockey rights in the prior year due to a labour dispute between the league and its players association, and thus these rights were re-instated during the nine month period ended May 31, 2006.

Net income from continuing operations before interest, income taxes, depreciation and amortization was \$4.3 million compared to \$4.1 million in the same period last year, an increase of \$0.2 million. During the nine months ended May 31, 2005, the Company disposed of an investment whose carrying value had been nil, and realized a gain on sale of \$0.3 million.

Interest expense for the nine month period ended May 31, 2006 was \$0.3 million compared to the \$0.8 million in the prior year. The decrease of approximately \$0.5 million reflects lower borrowings of bank debt for the nine month period ended May 31, 2006 while in the prior year both bank and related party debt were outstanding. In addition, the Company earned interest income on cash and cash equivalents in 2006.

Depreciation and amortization expense for the nine month period ended May 31, 2006 was \$0.8 million compared to \$0.9 million in the prior year. For the nine month period ended May 31, 2006 and 2005, fixed asset additions were approximately \$1.4 million.

Net income for the nine months ended May 31, 2006 was \$3.2 million or \$0.04 per share based on a weighted average 88.3 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to \$2.5 million or \$0.03 per share based on a weighted average 83.0 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

Liquidity and Capital Resources

Cash flows provided by continuing operations for the three months ended May 31, 2006 were \$0.5 million compared to cash flows provided by operations of \$1.1 million in the prior year. Cash flows used in discontinued operations were \$9,000 compared to cash flows provided by discontinued operations of \$0.2 million in the prior year.

Cash flows provided by continuing operations for the nine months ended May 31, 2006 were \$2.1 million compared to cash flows used in continuing operations of \$1.0 million in the prior year reflecting significantly improved income from continuing operations in the current year offset by non-cash working capital movements. Cash flows used in discontinued operations for the nine months ended May 31, 2006 were \$13,000 compared to cash flows provided by discontinued operations of \$0.5 million in the prior year.

For the balance of fiscal 2006, the Company anticipates that cash flows provided by operations will increase compared to fiscal 2005 based on anticipated increases in both advertising and subscriber revenues with more moderate increases in operating expenses. The Company has sufficient cash, cash equivalents and marketable securities as well as working capital lines of credit to support its operations.

Cash flow provided by financing activities was \$0.1 million compared to cash flows used in financing activities of \$0.4 million for the three months ended May 31, 2005. This resulted from refinancing its bank lines of credit in the prior year as well as a line of credit provided by Levfam Finance Inc., a related party, with a new credit facility provided by its banker on May 26, 2005.

Cash flow provided by financing activities for the nine months ended May 31, 2006 was \$9.8 million compared to \$0.1 million in the prior year as a result of the proceeds of an issue of equity securities. On February 8, 2006 the Company completed the sale of 11,800,000 Class A Subordinate voting shares to the public at a price of \$0.85 per share. On February 15, 2006, the underwriter exercised an option to acquire 1,770,000 Class A Subordinate Voting shares at \$0.85 per share, being the price of the offering to cover over-allotments, representing an amount of 15% of total number of Class A Subordinate voting shares offered. The net proceeds of the offering amounted to \$10.4 million.

The proceeds of the offering will be used over the next eighteen to twenty four months to (i) finance upgrades to existing studio facilities to implement "High Definition TV" broadcasting capabilities (ii) to provide funds for marketing, application development, programming and working capital to Score Poker, Score Mobile, and Hardcore Sports Radio and (iii) for general corporate purposes.

On May 26, 2005 the Company entered into a \$15.0 million credit facility with a Canadian chartered bank. The credit facility is comprised of a \$10.0 million, 5-year term loan maturing on August 31, 2010, and a \$5.0 million revolving credit facility. The proceeds of the loans made under this new credit facility were used to retire all existing credit facilities of Score Media, including the secured standby credit facility with Levfam Finance Inc., a company related by virtue of common control, and a bank line of credit provided to its wholly-owned subsidiary, The Score Television Network Ltd. This new bank credit facility is available for general corporate purposes.

The provisions of the Company's new bank credit facility impose restrictions, the most significant of which are restrictions on investments, sales of assets, distributions to shareholders, restrictions on new or renewed programming rights agreements, and the maintenance of certain financial covenants. Financial covenants include total funded debt to earnings before interest, taxes, depreciation and amortization (EBITDA) and maximum capital expenditure amounts.

At May 31, 2006, the current portion of bank loans was \$0.8 million, which reflects the amount of the term loan due within 12 months; the long-term portion of the term loan was \$9.2 million.

Cash flows used in investment activities for the three months ended May 31, 2006 was \$0.6 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. In addition, the company deferred certain costs associated

with its new business ventures. Deferred charges were higher in 2005 as a result of the financing charges related to the new company credit facility, as detailed above.

Cash flows used in investment activities for the nine months ended May 31, 2006 was \$1.5 million compared to cash flow used in investment activities of \$1.8 million in the prior year. The decrease of \$0.3 million is a result of deferred charges incurred in the prior year, as described above.

For the entire fiscal 2006 year, the Company anticipates that expenditures on new and replacement fixed assets will be approximately \$3.6 million, which can be financed by cash flows from operations and cash on hand.

Other than the credit facilities described above, 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.

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 May 31, 2006, and August 31, 2005 and the notes thereto.

Contractual operating obligations as at May 31, 2006 for the fiscal years noted below are as follows:

Contractual Obligations (in thousands of dollars)	2006	2007	2008	2009	2010	There-after	Total
Operating lease obligations	480	992	874	868	896	1,706	5,816
Capital lease obligations	6	40	40	35	19	-	140
Programming rights obligations	-	306	-	-	-	-	306
Long-term debt obligations	-	1,000	1,000	1,500	6,500	-	10,000
Total	486	2,338	1,914	2,403	7,415	1,706	16,262

On December 22, 2005, the Company executed a final lease renewal and amendment to its original lease for the 370 King Street West premises for a term of eight years with the right to renew the lease for a further period of five years. The amendment will result in an approximate

annual operating lease charge of \$370,000 for the premise. The Company also has the option to lease additional space on the fourth and ground floors.

Related Party Transactions

The Company retained legal services from a firm, one partner of which is a director of the Company. In addition, a second director provided consulting services to the Company. During the three months ended May 31, 2006, the services were provided in the ordinary course of business and amounted to nil and \$12,000 (2005 - \$5,000 and \$5,000), respectively. For the nine month period ended May 31, 2006, the services amounted to \$9,000 and \$22,000 (2005 - \$35,000 and \$23,000).

The Company entered into a lease in December 2005 for a property partially owned by a director and officer of the Company. The lease is for a term up to August 2006 and the aggregate rent during the quarter amounted to \$35,000.

All related party transactions have been reported at their fair values.

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. Actual results could differ from those estimates.

Disclosure Controls and Procedures

Based on their evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this Management's Discussion and Analysis, the Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures are effective.

Other

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

John Levy
Chairman and C.E.O.

Score Media Inc.
Consolidated Balance Sheets
(in thousands of dollars)
(unaudited)

	May 31, 2006	August 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,392	\$ 26
Accounts receivable	6,752	5,214
Prepaid expenses and deposits	547	299
Current assets of discontinued operations (note 1)	-	6
	<u>17,691</u>	<u>5,545</u>
Fixed assets	3,811	3,136
Deferred charges	601	593
	<u>\$ 22,103</u>	<u>\$ 9,274</u>
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities:		
Term loan (note 2)	\$ 750	\$ 700
Accounts payable and accrued liabilities	3,187	3,526
Current portion of capital lease obligation (note 3)	40	-
Current liabilities of discontinued operations (note 1)	-	110
	<u>3,977</u>	<u>4,336</u>
Term loan (note 2)	9,250	10,000
Capital lease obligation (note 3)	100	-
Shareholders' equity (deficiency):		
Capital stock (note 4)	88,933	78,812
Warrants (note 4)	284	-
Contributed surplus	1,213	1,011
Deficit	<u>(81,654)</u>	<u>(84,885)</u>
	8,776	(5,062)
Commitments (note 6)		
	<u>\$ 22,103</u>	<u>\$ 9,274</u>

See accompanying notes to interim consolidated financial statements

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

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2006	2005	2006	2005
Revenue	\$ 8,010	\$ 7,326	\$ 22,140	\$ 18,959
Production and other direct expenses	3,337	2,811	9,820	8,570
Selling, general and administrative expenses	2,108	2,099	6,182	5,571
Program rights	596	374	1,842	1,044
	<u>6,041</u>	<u>5,284</u>	<u>17,844</u>	<u>15,185</u>
Income before undernoted	1,969	2,042	4,296	3,774
Gain on sale of investment	5	277	5	277
Income before interest, depreciation and amortization	1,974	2,319	4,301	4,051
Interest expense (net)	58	273	323	771
Depreciation	264	189	744	506
Amortization	34	129	94	380
Income from continuing operations	1,618	1,728	3,140	2,394
Income from discontinued operations (note 1)	91	148	91	148
Net income for the period	<u>1,709</u>	<u>1,876</u>	<u>3,231</u>	<u>2,542</u>
Deficit, beginning of period	(83,363)	(86,972)	(84,885)	(87,564)
Adjustment for change in accounting for stock based compensation	-	-	-	(74)
Deficit, end of period	<u>(81,654)</u>	<u>(85,096)</u>	<u>(81,654)</u>	<u>(85,096)</u>
Income per share from continuing operations - basic and diluted	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.04</u>	<u>\$ 0.03</u>
Income per share - basic and diluted	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.04</u>	<u>\$ 0.03</u>
Weighted average number of Class A Subordinate Voting and Special Voting Shares outstanding - Basic	96,359,534	82,773,284	88,332,828	82,773,284
Diluted	<u>97,437,819</u>	<u>83,037,522</u>	<u>89,016,861</u>	<u>82,829,582</u>

See accompanying notes to interim consolidated financial statements

Score Media Inc.**Consolidated Statements of Cash Flows****(in thousands of dollars)****(unaudited)**

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2006	2005	2006	2005
Cash provided by (used in):				
Operations:				
Net income from continuing operations for the period	\$ 1,618	\$ 1,728	\$ 3,140	\$ 2,394
Items not involving cash:				
Depreciation	264	189	744	506
Amortization	34	129	94	380
Non-cash compensation expense	67	35	202	93
Change in non-cash operating working capital:				
Accounts receivable	(1,147)	(750)	(1,538)	(1,900)
Prepaid expenses and deposits	(209)	71	(248)	6
Accounts payable and accrued liabilities	(128)	(320)	(339)	(494)
Cash Flows Provided by Continuing Operations	<u>499</u>	<u>1,082</u>	<u>2,055</u>	<u>985</u>
Cash Flows Provided by (Used in) Discontinued Operations	<u>(9)</u>	<u>159</u>	<u>(13)</u>	<u>486</u>
Cash Flows Provided by Operating Activities	<u>490</u>	<u>1,241</u>	<u>2,042</u>	<u>1,471</u>
Financing:				
Issuance of common shares and warrants (note 3)	-	-	10,405	1
Repayment of loans	-	(390)	(700)	135
Capital Lease Obligation	140	-	140	-
	<u>140</u>	<u>(390)</u>	<u>9,845</u>	<u>136</u>
Investments:				
Additions to Fixed Assets	(475)	(345)	(1,419)	(1,419)
Deferred charges	(102)	(345)	(102)	(345)
	<u>(577)</u>	<u>(690)</u>	<u>(1,521)</u>	<u>(1,764)</u>
Increase (decrease) in cash	53	161	10,366	(157)
Cash and Cash Equivalents, beginning of period	10,339	308	26	626
Cash and Cash Equivalents, end of period	<u>\$ 10,392</u>	<u>\$ 469</u>	<u>\$ 10,392</u>	<u>\$ 469</u>

See accompanying notes to interim consolidated financial statements

Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2006 and 2005 (unaudited)

Nature of operations

Score Media Inc. ("Score Media" or the "Company") is a media company committed to creating consumer value through creative solutions, technology and innovation in response to sports fans' growing desire for increased participation in their consumption of sports content. Score Media's main asset is The Score Television Network Ltd. ("The Score"), a national specialty television service providing sports, news, information, highlights and live event programming, available across Canada in more than 5.8 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, 2005. These unaudited interim financial statements follow the same accounting policies and methods of application as the most recent audited consolidated financial statements for the year ended August 31, 2005 except for the deferral and amortization of start up costs associated with the Company's new ventures. These costs will be amortized over a period of three years.

The Company's revenues have historically reflected a seasonality trend, with the third quarter (ending May 31st) being the strongest, followed by the first quarter (ending November 30th), the fourth quarter (ending August 31st) and finally the second quarter (ending February 28th). This seasonality reflects general trends for sports media advertising, which in turn reflects the schedules (particularly the playoffs) of the major sports leagues. Therefore, one quarter's operating results is not necessarily indicative of the performance for the balance of the year.

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 May 31, 2006 and the results of operations and cash flows for the three and nine months ended May 31, 2006 and May 31, 2005.

1. Basis of Presentation

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

Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2006 and 2005 (unaudited)

1. Basis of Presentation (cont.)

assumption of approximately \$900 in liabilities, for a total gain of \$1,600 which was recorded in the fourth quarter of fiscal 2004.

Throughout fiscal 2004, Score Media 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	May 31, 2006	August 31, 2005
Current assets	\$ -	\$ 6
Current liabilities	-	110
Net assets (liabilities) of discontinued operations	\$ -	\$ (104)

For 2005, current assets of discontinued operations are comprised mainly of cash and prepaid expenses and current liabilities are comprised mainly of trade payables and accrued liabilities.

Three and Nine months ended May 31, 2006	St. Clair	PrideVision	Total
Recovery of operating expenses	\$ (91)	\$ -	\$ (91)
Income from discontinued operations	\$ 91	\$ -	\$ 91
Income per share from discontinued operations- Basic and diluted			\$ -

Three and Nine months ended May 31, 2005	St. Clair	PrideVision	Total
Recovery of Operating Expenses	\$ -	\$ (148)	\$ (148)
Income from discontinued operations	\$ -	\$ 148	\$ 148
Income per share from discontinued operations- Basic and diluted			\$ -

Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2006 and 2005 (unaudited)

2. Loans:

On May 26, 2005, the Company entered into a \$15,000 credit facility with a Canadian chartered bank. The credit facility is comprised of a \$10,000, five-year term loan maturing on August 31, 2010, and a \$5,000 revolving credit facility. The credit facility allows the Company to borrow by way of prime rate loans, bankers' acceptances ("BAs") or letters of guarantee. Loans and bankers' acceptances bear interest at rates that are dependent on financial ratios. The provisions of the Company's bank credit facility impose restrictions, the most significant of which are restrictions on investments, sales of assets, distributions to shareholders, restrictions on programming rights agreements and the maintenance of certain financial covenants. Financial covenants include total funded debt to EBITDA (earnings before interest, taxes, depreciation and amortization) and maximum capital expenditure amounts.

Loans under the credit facility are secured by a pledge of substantially all the assets of the Company, including a pledge of all the issued and outstanding shares of each of its subsidiaries and the subordination and pledge of shareholder and inter-company loans.

The proceeds of the loans made under this new credit facility were used to retire all existing credit facilities then in existence and for general corporate purposes. The Score repaid in full its revolving bank operating line of credit (then drawn at \$11,465) with the proceeds of this bank credit facility. In addition, the Company repaid \$1,200, including accrued interest of \$262, and cancelled the credit facility provided to it by Levfam Finance Inc., a company related by virtue of common control.

As at May 31, 2006, \$10,000 of the five-year loan had been drawn. Of the \$10,000 term loan, \$750 has been classified as a current liability as the amount is due within 12 months. For the three and nine months ended May 31, 2006, interest expense includes interest on the bank loans of \$150 and \$437 respectively. For the three months ended May 31, 2005, interest expense includes interest on the bank loan of \$ 239 and interest on amounts due to related parties of \$34. For the nine months ended May 31, 2005, interest expense includes bank loan interest of \$700 and interest on amounts due to related parties of \$71. The Company was in compliance with all terms of its credit facility during the reporting periods.

3. Capital Lease Obligation

In April 2006, the Company entered into a 4 year capital lease arrangement for office equipment at a cost of \$145. Interest on the obligation is at a rate of 8%. Included in fixed assets is equipment with a net book value of \$144 as at May 31, 2006. The capital lease obligation is repayable in the amount of approximately \$10 per quarter.

Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2006 and 2005 (unaudited)

4. Capital stock:

	May 31, 2006	Aug 31, 2005
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:		
10,000 Special Voting shares	\$ 30	\$ 30
96,349,534 Class A Subordinate Voting shares (August 31, 2005 - 82,763,284)	88,903	78,782
	<u>\$ 88,933</u>	<u>\$ 78,812</u>

On February 8, 2006 the Company completed the sale of 11,800,000 Class A Subordinate voting shares to the public at a price of \$0.85 per share. On February 15, 2006, the underwriter exercised an option to acquire 1,770,000 Class A Subordinate voting shares at \$0.85 per share being the price of the offering to cover over-allotments, representing an amount of 15% of total number of Class A Subordinate voting shares initially offered. As a result, a total of 13,570,000 Class A Subordinate voting shares were issued for gross proceeds of \$11,535. Costs of the transaction totalled \$1,135 and net proceeds were \$10,400.

Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2006 and 2005 (unaudited)

4. Capital stock (cont):

Details of capital stock transactions during the period are as follows:

	Number of shares issued		Amount credited to capital	
	Class A Subordinate Voting	Special Voting	Class A Subordinate Voting	Special Voting
Balance, August 31, 2005	82,763,284	10,000	\$ 78,782	\$ 30
Equity Issuance	13,570,000		10,116	
Options exercised	16,250	–	5	–
Balance, May 31, 2006	96,349,534	10,000	\$88,903	\$30

Warrants:

As part of the offering of the Class A Subordinate voting shares, the Company granted the Underwriter 949,900 warrants to acquire 949,900 Class A Subordinate voting shares at an exercise price of \$0.85 per warrant as partial compensation for services rendered. These warrants expire in August 2007. The Company has estimated the fair value of the warrants to be \$284.

Stock Option Plan:

The following table summarizes the status of the Plan:

	Number	Exercise price	Weighted average exercise price
Outstanding options, August 31, 2004	2,305,000	0.28 - 3.11	2.02
Granted	1,645,000	0.43 - 0.54	0.50
Cancelled	(1,065,833)	0.28 - 3.00	2.87
Exercised	(2,500)	0.28	0.28
Outstanding options, August 31, 2005	2,881,667	0.28 - 3.11	0.84
Granted	510,000	0.55	0.55
Cancelled	(62,917)	0.28 - 3.00	1.21
Exercised	(16,250)	0.28 - 0.43	0.33
Outstanding options, May 31, 2006	3,312,500	0.28 - 3.11	0.81
Options exercisable, end of period			2,096,665

Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2006 and 2005 (unaudited)

4. Capital stock (cont):

As at May 31, 2006, the weighted average remaining contractual life of the options exercisable and outstanding was 2.3 years and 2.9 years, respectively.

The following summarizes information about the employee stock options at May 31, 2006:

Exercise price	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options exercisable
\$0.28	327,500	1.9	327,500
0.36	200,000	1.6	200,000
0.43	620,000	3.4	312,499
0.54	1,000,000	4.1	500,000
0.55	490,000	4.4	81,666
1.00	327,500	0.9	327,500
3.00	327,500	0.1	327,500
3.11	20,000	0.1	20,000
\$0.81	3,312,500	2.9	2,096,665

Stock-based Compensation:

During the nine months ended May 31, 2006, 510,000 options were granted. The estimated fair value at the date of the grant for the options granted was \$0.52. 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:

Risk-free interest rate	4%
Dividend yield	—
Volatility factor of the future expected market price of Class A Subordinate Voting shares	50%
Weighted average expected life of the options	5 years

The estimated fair value of the options is amortized and expensed over the options' vesting period on a straight-line basis.

Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2006 and 2005 (unaudited)

5. Related party transactions:

The Company retained legal services from a firm, one partner of which is a director of the Company. In addition, a second director provided consulting services to the Company. During the three months ended May 31, 2006, the services were provided in the ordinary course of business and amounted to nil and \$12 (2005 - \$5 and \$5), respectively. For the nine month period ended May 31, 2006, the services amounted to \$9 and \$22 (2005 - \$35 and \$23).

The Company entered into a lease in December 2005 for a property partially owned by a director and officer of the Company. The lease is for a term up to August 2006 and the aggregate rent during the quarter amounted to \$35.

6. Commitments:

On December 22, 2005, the Company executed a final lease renewal and amendment to its original lease for the 370 King Street West premises for a term of eight years with the right to renew the lease for a further period of five years. The amendment will result in an approximate annual operating lease charge of \$370 for the premises. The Company also has the option to lease between 4,000 and 5,000 square feet of additional space on the ground floor.