



*S C O R E*  
*M E D I A*

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**Q2 – 2007**  
**Consolidated Financial Statements**  
**For the Three and Six Months Ended**  
**February 28, 2007**

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*S C O R E  
M E D I A*

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
For the Three and Six Months Ended February 28, 2007**

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 six months ended February 28, 2007. All amounts are in Canadian dollars unless otherwise stated. As a result of the rounding of dollar differences, certain total dollar amounts in this MD&A may not add exactly to their constituent amounts.

The discussion and analysis set out in this MD&A may contain certain forward-looking statements that involve risks and uncertainties. The words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company, or its management, are intended to identify such forward-looking statements. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties such as those related to the nature of the specialty television industry, dependence on broadcasters, programming and production costs, dependence on Broadcast Distribution Undertakings, regulatory environment, dependence on advertisers, reliance on key personnel, management of growth, general economic conditions, competition, possible strategic alliances and acquisitions, Canadian ownership, control and significant interest of concentrated shareholder base, possible volatility of stock price, regulatory approval of certain transactions involving the Corporation, risks related to online poker, and financial risks, which risks and uncertainties are discussed in the Company's Annual Information Form dated November 9, 2006. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. The Company does not intend, and does not assume any obligation, to update these forward-looking statements. Unless otherwise stated, the information in this MD&A is presented as of April 12<sup>th</sup>, 2007.

## HIGHLIGHTS

- *Revenue* for the three months ended February 28, 2007 was \$7.7 million, compared to \$6.8 million in the prior year, an increase of \$0.9 million. For the six months ended February 28, 2007, revenue was \$17.0 million, compared to \$14.1 million in the prior year, an increase of \$2.9 million.
- *EBITDA* (see "Definitions") for the Company for the three months ended February 28, 2007 was \$1.2 million compared to \$0.8 million in the same period last year, an increase of \$0.4 million. EBITDA for the six months ended February 28, 2007 was \$3.2 million compared to \$2.3 million in the same period last year, an increase of \$0.9 million.
- *Net income* for the Company for the three months ended February 28, 2007 was \$0.3 million, compared to \$0.4 million in the prior year. Net income during the second quarter of 2007 was net of income tax expense of \$0.4 million compared to no income tax expense in the same period last year. For the six months ended February 28, 2007, net income was \$1.1 million, compared to \$1.5 million in the prior year. Net income during the six months ended February 28, 2007 was net of income tax expense of \$1.2 million compared to no income tax expense in the same period last year.
- In February 2007 the Company's wholly-owned subsidiary, Score Media Ventures Inc., announced the launch of Score Mobile Video, a mobile video clips service, available across Canada on every major wireless carrier. Score Mobile Video provides viewers access to signature Score programming on-the-go, including exclusive mobile coverage of NCAA March Madness.
- In March 2007 the Company launched its cross-platform coverage of NCAA March Madness, featuring extensive coverage of the tournament on television, online, on mobile devices and on video-on-demand. The Company will be the exclusive Canadian broadcast partner of NCAA March Madness through 2010.

## 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. Score Media's main asset is The Score Television Network, a national specialty television service providing sports, news, information, highlights and live event programming, available across Canada in more than 6.1 million homes.

The Company also operates Hardcore Sports Radio, a satellite radio network available across North America on SIRIUS Satellite Radio, and is growing its interactive platform, with assets including theScore.ca, 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 EBITDA and Net income. EBITDA and Net income are reconciled in the table below.

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

The Company uses EBITDA 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 EBITDA to measure operating performance and assess compliance with certain debt covenants.

The following tables reconcile net income to EBITDA:

	<b>Three months ended February 28, 2007</b>	<b>Three months ended February 28, 2006</b>
	(000's)	(000's)
Income for the period	\$ 262	\$ 413
Add back:		
Depreciation and amortization	419	280
Interest expense (net)	39	121
Income tax expense	440	-
EBITDA	\$ 1,160	\$ 814

  

	<b>Six months ended February 28, 2007</b>	<b>Six months ended February 28, 2006</b>
	(000's)	(000's)
Income for the period	\$ 1,133	\$ 1,522
Add back:		
Depreciation and amortization	787	540
Interest expense	79	265
Income tax expense	1,198	-
EBITDA	\$ 3,197	\$ 2,327

## Consolidated Results

The following selected quarterly financial data of the Corporation relates to the eight quarters ended February 28, 2007.

<b>Quarterly Results</b>	<b>Revenue</b>	<b>Income from continuing operations</b>	<b>Income from discontinued operations</b>	<b>Net income</b>	<b>Income per share from continuing operations</b>	<b>Income per share</b>
	<b>(\$000's)</b>	<b>(\$000's)</b>	<b>(\$000's)</b>	<b>(\$000's)</b>	<b>(\$)</b>	<b>(\$)</b>
February 28, 2007	7,731	262	-	262	0.00	0.00
November 30, 2006	9,221	871	-	871	0.01	0.01
August 31, 2006	6,935	9,805	-	9,805	0.11	0.11
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

The Company's revenues have historically reflected a seasonality trend, with the third quarter (ending May 31<sup>st</sup>) being the strongest, followed by the first quarter (ending November 30<sup>th</sup>), the fourth quarter (ending August 31<sup>st</sup>), and finally the second quarter (ending February 28<sup>th</sup>). 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 are not indicative of the performance for the balance of the year.

### *Three Months Ended February 28, 2007*

*Revenue* for the three months ended February 28, 2007 increased by \$0.9 million to \$7.7 million compared to \$6.8 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 18 months.

Television subscriber revenue increased approximately \$0.1 million in the second quarter reflecting continued growth in the subscriber base with several broadcast distribution undertakings, compared to the second quarter of fiscal 2006. Television advertising revenue increased by approximately \$0.5 million during the second 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 \$0.3 million from the new business units.

*Operating expenses excluding rights fees* were \$5.3 million during the quarter, compared to \$5.2 million in the prior year, representing an increase of \$0.1 million.

*Program rights expenses* were \$1.3 million during the quarter, an increase of \$0.6 million compared to \$0.7 million in the prior year. The increase in program rights at The Score reflects higher program rights fees for Toronto Raptors and other professional basketball, NCAA basketball, and Canadian college football.

*EBITDA* was \$1.2 million compared to \$0.8 million in the same period last year, an increase of \$0.4 million.

*Interest expense (net)* for the second quarter was approximately nil compared to \$0.1 million in the same period last year due to lower average bank loan balances during the second quarter compared to the prior year. The Company completed the sale of 11.8 million 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 interest income on cash and cash equivalents of \$0.1 million in the three months ended February 28, 2007.

*Depreciation and amortization expense* increased \$0.1 million in the second quarter to \$0.4 million compared to \$0.3 million in the prior year, reflecting the depreciation of new fixed assets in The Score as well as Hardcore Sports Radio and Score Media's interactive properties that were launched in the past 18 months. For the second quarter, fixed asset additions were approximately \$1.1 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 and for new software and computer equipment to support the new interactive properties.

*Net income* for the three months ended February 28, 2007 was \$0.3 million or \$0.00 per share based on a weighted average 98.6 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to \$0.4 million or \$0.00 per share based on a weighted average 86.7 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

During the three months ended February 28, 2007, net income was net of income tax expense of \$0.4 million compared to nil in the same period last year. In August 2006, the Company recorded a future tax asset of \$9.1 million pertaining to the release of a portion of a valuation allowance in respect of future tax assets. During the second quarter ended February 28, 2007, the income tax expense of \$0.4 million drew down the future tax asset. The Company's effective tax rate was approximately 63% compared to its statutory tax rate of 36% due to a valuation allowance being recorded against the losses of certain entities in the consolidated group.

### ***Six Months Ended February 28, 2006***

*Revenue* for the six months ended February 28, 2007 increased by \$2.9 million to \$17.0 million compared to \$14.1 million in the prior year. This increase was due to approximately \$0.2 million increased television subscriber revenue, approximately \$2.2 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 18 months.

*Operating expenses excluding rights fees* were \$11.8 million for the six months ended February 28, 2007 compared to \$10.6 million in the prior year, representing an increase of \$1.2 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 \$2.0 million during the six month period ended February 28, 2007, compared to \$1.2 million in the prior year, an increase of \$0.8 million. Program rights for the six month period ended February 28, 2007 increased for live events such as NBA and NCAA basketball, as well as Canadian college football.

*EBITDA* for the six months ended February 28, 2007 was \$3.2 million, compared to \$2.3 million for the same period last year, resulting in an increase of \$0.9 million.

*Interest expense (net)* for the six month period ended February 28, 2007 was \$0.1 million compared to the \$0.3 million in the prior year. The decrease of approximately \$0.2 million reflects lower average bank loan balances compared to the prior year. The Company completed an issue of equity shares discussed above which resulted in interest income on cash and cash equivalents of \$0.2 million in the six months ended February 28, 2007 (2006 – nil).

*Depreciation and amortization expense* for the six month period ended February 28, 2007 increased \$0.3 million in the second quarter to \$0.8 million compared to \$0.5 million in the prior year, reflecting the depreciation of new fixed assets in The Score as well as Hardcore Sports Radio and Score Media's interactive properties that were launched in the past 18 months. Fixed asset additions were approximately \$2.8 million compared to \$0.9 million in the prior year; fixed asset additions were largely associated with expanding television broadcasting with a "high definition" channel and for new software and computer equipment to support the new interactive properties.

*Net income* for the six months ended February 28, 2007 was \$1.1 million or \$0.01 per share based on a weighted average 98.1 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to \$1.5 million or \$0.02 per share based on a weighted average 84.9 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

During the six months ended February 28, 2007, net income was net of income tax expense of \$1.2 million compared to nil in the same period last year. In August 2006, the Company recorded a future tax asset of \$9.1 million pertaining to the release of a portion of a valuation allowance in respect of future tax assets. During the six months ended February 28, 2007, the income tax expense of \$1.2 million drew down the future tax asset. The Company's effective tax rate was approximately 51% compared to its statutory tax rate of 36% due to a valuation allowance being recorded against the losses of certain entities in the consolidated group.

## Liquidity and Capital Resources

*Cash flows provided by operations* for the three months ended February 28, 2007 were \$0.1 million compared to cash flows provided by operations of \$0.8 million in the prior year. The decrease of \$0.7 million reflects movements in non-cash working capital and a decrease in net income, which was partially offset by increases in non-cash expenses.

For the six months ended February 28, 2007, cash flows provided by operations were \$1.9 million compared to cash flows provided by operations of \$1.6 million in the prior year. The increase of \$0.3 million reflects increases in non-cash expenses – primarily income taxes in the amount of \$1.2 million – which was partially offset by movements in non-cash working capital and a decrease in net income.

For the balance of fiscal 2007, the Company anticipates that cash flows provided by operations will increase compared to fiscal 2006 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* for the three months ended February 28, 2007 was \$0.2 million compared to \$9.7 million in the prior year as a result of the proceeds of an issue of equity securities in 2006. Cash flow provided by financing activities for the six months ended February 28, 2007 was nil compared to \$9.7 million in the 6 months ended February 28, 2006 largely due to this equity issue.

On February 8, 2006 the Company completed the sale of 11.8 million 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 1.8 million 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 the total number of Class A Subordinate voting shares offered. The net proceeds of the offering amounted to \$10.4 million.

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. During the three months ended February 28, 2007, the underwriter exercised 472,700 of the warrants for net proceeds of \$0.4 million to the Company.

The proceeds of the offering are being used to (i) finance upgrades to existing studio facilities and the implementation of "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. This bank credit facility is available for general corporate purposes.

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 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 February 28, 2007, the current portion of bank loan was \$1.0 million, which reflects the amount of the term loan due within 12 months; the long-term portion of the term loan was \$8.5 million.

*Cash flows used in investment activities* for the three months ended February 28, 2007 was \$1.1 million compared to cash flow used in investment activities of \$0.4 million in the prior year. Fixed asset additions were largely associated with expanding television broadcasting with a "high definition" channel and for new software and computer equipment to support the new interactive properties.

Cash flows used in investment activities for the six months ended February 28, 2007 was \$2.9 million compared to cash flow used in investment activities of \$0.9 million in the prior year. These amounts also relate to capital expenditures to expand and improve programming and production facilities at The Score.

For the entire fiscal 2007 year, the Company anticipates that expenditures on new and replacement fixed assets will be approximately \$9.0 million, which can be financed by cash flow from operations and cash and cash equivalents 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 February 28, 2007, and August 31, 2006 and the notes thereto.

Contractual operating obligations as at February 28, 2007 for the fiscal years noted below are as follows:

<b>Contractual Obligations (in thousands of dollars)</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>There - after</b>	<b>Total</b>
Operating lease obligations	932	1,472	1,074	1,121	685	1,750	7,034
Programming rights obligations	526	2,719	1,610	1,639	-	-	6,494
Long-term debt obligations	500	1,000	1,500	6,500	-	-	9,500
<b>Total</b>	<b>1,958</b>	<b>5,191</b>	<b>4,184</b>	<b>9,260</b>	<b>685</b>	<b>1,750</b>	<b>23,028</b>

## Related Party Transactions

During the three months ended February 28, 2007, the Company obtained consulting services from a director of the Company. In addition, in the prior year, the Company retained legal services from a firm, one partner of which is a director of the Company. The services were provided in the ordinary course of business and amounted to \$5,000 and nil (2006 - \$5,000 and \$1,000), respectively. For the six month period ended February 28, 2007, the services amounted to \$13,000 and nil (2006 - \$10,000 and \$9,000), respectively.

The Company entered into a lease in December 2005 for a property partially owned by a director and officer of the Company. The lease ended August 31, 2006 and continued on a month-to-month basis; the aggregate rent paid during the three and six months ended February 28, 2007 amounted to \$35,000 and \$70,000 (2006 - \$35,000 and \$35,000), respectively.

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, but not limited to, the allowance for doubtful accounts, income tax valuation allowances, and 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)**

	February 28, 2007	August 31, 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 10,134	\$ 11,101
Accounts receivable	7,082	6,279
Prepaid expenses and deposits	1,429	712
Future tax assets	1,741	1,741
	<u>20,386</u>	<u>19,833</u>
Fixed assets	6,351	4,275
Deferred charges	563	577
Future tax assets	6,203	7,401
	<u>\$ 33,503</u>	<u>\$ 32,086</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Term loan (note 1)	\$ 1,000	\$ 1,000
Accounts payable and accrued liabilities	3,561	3,330
Current portion of capital lease obligation	38	40
	<u>4,599</u>	<u>4,370</u>
Term loan (note 1)	8,500	9,000
Capital Lease obligation	70	90
Shareholders' equity (note 2)	20,334	18,626
	<u>\$ 33,503</u>	<u>\$ 32,086</u>

Commitments (note 5)

See accompanying notes to consolidated financial statements

## Score Media Inc.

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

	Three months ended		Six months ended	
	February 28,		February 28,	
	2007	2006	2007	2006
Revenue	\$ 7,731	\$ 6,750	\$ 16,952	\$ 14,130
Production and other direct expenses	3,349	3,164	7,092	6,483
Selling, general and administration	1,955	2,060	4,668	4,075
Program rights	1,268	712	2,016	1,245
	<u>6,572</u>	<u>5,936</u>	<u>13,776</u>	<u>11,803</u>
Income before undernoted	1,159	814	3,176	2,327
Gain on sale of investments	<u>1</u>	<u>-</u>	<u>21</u>	<u>-</u>
Income before interest, depreciation and amortization	1,160	814	3,197	2,327
Interest expense, net	39	121	79	265
Depreciation	380	250	710	480
Amortization	<u>39</u>	<u>30</u>	<u>77</u>	<u>60</u>
Income before income taxes	702	413	2,331	1,522
Income tax expense	440	-	1,198	-
Net income for the period	<u>\$ 262</u>	<u>\$ 413</u>	<u>\$ 1,133</u>	<u>\$ 1,522</u>
Deficit, beginning of period	(70,978)	(83,776)	(71,849)	(84,885)
Reduction in stated capital (note 2)	70,716	-	70,716	-
Deficit, end of period	<u>\$ -</u>	<u>\$ (83,363)</u>	<u>\$ -</u>	<u>\$ (83,363)</u>
Income per share - basic and diluted	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>
Weighted average number of Class A Subordinate Voting and Special Voting Shares outstanding (note 3) - Basic	96,634,100	85,775,441	96,510,474	84,275,425
Diluted	<u>98,563,771</u>	<u>86,651,420</u>	<u>98,108,743</u>	<u>84,926,713</u>

See accompanying notes to consolidated financial statements

## Score Media Inc.

### Consolidated Statements of Cash Flows

(in thousands of dollars)

(unaudited)

	Three months ended		Six months ended	
	February 28,		February 28,	
	2007	2006	2007	2006
Cash provided by (used in):				
Operations:				
Net income for the period	\$ 262	\$ 413	\$ 1,133	\$ 1,522
Items not involving cash:				
Depreciation	380	250	710	480
Amortization	39	30	77	60
Non-cash compensation expense	38	69	74	135
Income tax expense	440	-	1,198	-
Change in non-cash operating working capital:				
Accounts receivable	677	33	(803)	(391)
Prepaid expenses and deposits	(296)	(69)	(717)	(39)
Accounts payable and accrued liabilities	(1,394)	87	231	(211)
Cash Flows provided by Continuing Operations	146	813	1,903	1,556
Cash Flows used in Discontinued Operations	-	(4)	-	(4)
Cash Flows provided by Operating Activities	146	809	1,903	1,552
Financing:				
Issuance of common shares	484	10,403	501	10,405
Loan repayments	(250)	(700)	(500)	(700)
Capital lease obligation repayments	(11)	-	(22)	-
	223	9,703	(21)	9,705
Investments:				
Additions to fixed assets	(1,087)	(364)	(2,786)	(944)
Deferred charges	(62)	-	(63)	-
	(1,149)	(364)	(2,849)	(944)
Increase (decrease) in cash and cash equivalents	(780)	10,148	(967)	10,313
Cash and cash equivalents, beginning of period	10,914	191	11,101	26
Cash and cash equivalents, end of period	\$ 10,134	\$ 10,339	\$ 10,134	\$ 10,339
Supplemental Cash Flow information				
Interest paid	\$ 145	\$ 126	\$ 297	\$ 250
Income taxes paid	-	-	-	-

See accompanying notes to consolidated financial statements

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 28, 2007 and 2006 (unaudited)

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### **Nature of operations**

Score Media Inc. (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 Ltd. ("The Score"), a national specialty television service providing sports news, information, highlights and live event programming, available across Canada in more than 6.1 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, 2006. These unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements for the year ended August 31, 2006.

The Company's revenues have historically reflected a seasonality trend, with the third quarter (ending May 31<sup>st</sup>) being the strongest, followed by the first quarter (ending November 30<sup>th</sup>), the fourth quarter (ending August 31<sup>st</sup>), and finally the second quarter (ending February 28<sup>th</sup>). 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 February 28, 2007 and the results of operations and cash flows for the three and six months ended February 28, 2007 and February 28, 2006.

## Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 28, 2007 and 2006 (unaudited)

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### 1. 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 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 credit facility allows the Company to borrow by way of prime rate loans, bankers' acceptances ("BAs") or letters of guarantee. Loans and BAs 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.

As at February 28, 2007, \$9,500 of the five-year loan had been drawn. Of the \$9,500 term loan, \$1,000 has been classified as a current liability as the amount is due within 12 months. For the three months ended February 28, 2007, interest expense of \$39 (2006 - \$121) is net of interest income of \$113 (2006 - nil). For the six months ended February 28, 2007, interest expense of \$79 (2006 - \$265) is net of interest income of \$232 (2006 - nil). The Company was in compliance with all terms of its credit facility during the reporting periods.

## Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 28, 2007 and 2006 (unaudited)

### 2. Shareholders' Equity:

	February 28, 2007	August 31, 2006
Capital stock	\$18,894	\$88,935
Warrants	142	284
Contributed surplus	1,298	1,256
Retained earnings (Deficit)	-	(71,849)
	<u>\$20,334</u>	<u>\$18,626</u>

#### (a) Capital Stock

	Feb 28, 2007	Aug 31, 2006
Authorized:		
Unlimited Senior Preference shares		
Unlimited Junior Preference shares		
10,000 Special Voting shares, convertible into Class A Subordinated Voting shares on a one-for-one basis at the option of the shareholder		
Unlimited Class A Subordinated Voting shares		
Unlimited Class B Subordinated Voting shares, convertible into Class A Subordinated Voting shares on a one-for-one basis at the option of the shareholder		
Issued:		
10,000 Special Voting shares	\$ 30	\$ 30
97,007,567 Class A Subordinated Voting shares (August 31, 2006 – 96,357,034)	18,864	88,905
	<u>\$ 18,894</u>	<u>\$ 88,935</u>

## Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 28, 2007 and 2006 (unaudited)

### 2. Shareholders' Equity (cont'd):

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

	Number of shares issued		Amount credited to capital	
	Class A Subordinated Voting	Special Voting	Class A Subordinated Voting	Special Voting
Balance, August 31, 2006	96,357,034	10,000	\$ 88,905	\$ 30
Options exercised	177,833	-	131	-
Warrants exercised (i)	472,700	-	544	-
Reduction in stated capital (ii)			(70,716)	
Balance, February 28, 2007	97,007,567	10,000	\$ 18,864	\$ 30

- (i) On February 8, 2006 the Company completed the sale of 11.8 million 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 1.8 million 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 the total number of Class A Subordinate voting shares offered. The net proceeds of the offering amounted to \$10.4 million.

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. During the three months ended February 28, 2007, the underwriter exercised 472,700 of the warrants for net proceeds of \$0.4 million to the Company.

- (ii) On February 28, 2007, the Company reduced the stated capital of the Class A Subordinated Voting shares by \$70.7 million. The reduction in stated capital decreased the accumulated deficit of the Company to nil. No cash distribution was made in connection with the reduction in stated capital. The transaction was executed pursuant to section 38(1) of the Business Corporation Act.

## Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 28, 2007 and 2006 (unaudited)

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### 2. Shareholders' Equity (cont'd):

#### (b) Stock Option Plan:

The following table summarizes the status of the Plan:

	<b>Number</b>	<b>Exercise price</b>	<b>Weighted average exercise price</b>
Outstanding options, August 31, 2006	2,917,500	0.28 – 1.00	0.55
Granted	732,500	0.84	0.84
Cancelled	(98,333)	0.28 – 1.00	0.51
Exercised	(177,833)	0.28 – 1.00	0.56
Outstanding options, February 28, 2007	3,373,834	0.28 – 1.00	0.60
Options exercisable, February 28, 2007			2,177,999
Options exercisable, August 31, 2006			2,230,832

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During January 2007 the Company's Board of Directors and shareholders approved certain amendments to the stock option plan, which included an increase in the maximum number of Class A Subordinate Voting Shares issuable thereunder from 5,228,000 to 8,000,000.

## Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 28, 2007 and 2006 (unaudited)

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### 2. Shareholders' Equity (cont'd):

As at February 28, 2007, the weighted average remaining contractual life of the options exercisable and outstanding was 2.4 years and 3.0 years, respectively. The following summarizes information about the employee stock options at February 28, 2007:

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Exercise price	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options exercisable
\$0.28	272,500	1.2	272,500
0.36	200,000	0.8	200,000
0.43	500,500	2.6	310,498
0.54	1,000,000	3.4	1,000,000
0.55	395,834	3.8	122,501
0.84	732,500	4.7	-
1.00	272,500	0.3	272,500
\$0.81	3,373,834	3.0	2,177,999

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During the six months ended February 28, 2007, 732,500 (February 28, 2006 – 510,000) options were granted. The weighted average estimated fair value at the date of the grant for the options granted was \$0.84. 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:

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

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The estimated fair value of the options is amortized to expense over the vesting period.

## Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 28, 2007 and 2006 (unaudited)

### 3. Basic and diluted income per share:

Basic and diluted income per share has been calculated using the weighted average and maximum dilutive number of shares outstanding during the period.

The following table sets forth the computation of diluted income per share:

	Three months ended		Six months ended	
	February 28,		February 28,	
	2007	2006	2007	2006
Numerator:				
Net income available to shareholders	\$262	\$413	\$1,133	\$1,522
Denominator (000's):				
Weighted average shares outstanding – basic	96,634	85,775	96,510	84,275
Effect of dilutive stock options	1,930	876	1,599	652
Weighted average shares outstanding – diluted	98,564	86,651	98,109	84,927
Income per share:				
Basic	\$0.00	\$0.00	\$0.01	\$0.02
Diluted	\$0.00	\$0.00	\$0.01	\$0.02

### 4. Related party transactions:

During the three months ended February 28, 2007, the Company obtained consulting services from a director of the Company. In addition, in the prior year, the Company retained legal services from a firm, one partner of which is a director of the Company. The services were provided in the ordinary course of business and amounted to \$5 and nil (2006 - \$5 and \$1), respectively. For the six month period ended February 28, 2007, the services amounted to \$13 and nil (2006 - \$10 and \$9), respectively.

The Company entered into a lease in December 2005 for a property partially owned by a director and officer of the Company. The lease ended August 31, 2006 and continued on a month-to-month basis; the aggregate rent paid during the three and six months ended February 28, 2007 amounted to \$35 and \$70 (2006 - \$35 and \$35), respectively.

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

## Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and six months ended February 28, 2007 and 2006 (unaudited)

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### 5. Commitments:

In December 2006, The Score announced that it had acquired the exclusive television broadcast rights to English Premier League soccer in Canada. The Score's broadcasts will start in the fall of 2007, with its rights package to run for three EPL match seasons. In December, The Score Television Network Ltd. also announced that it will be the exclusive Canadian television broadcast partner for NCAA Division I Men's and Division I Women's Basketball Championships for the next four years, starting in 2007.

Including these agreements, the Company has entered into various program acquisition and rights agreements, the most significant of which oblige the Company to make aggregate annual payments for fiscal years as follows:

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Remainder of 2007	\$ 526
2008	2,719
2009	1,610
2010	1,639
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	\$ 6,494

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