



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

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**Q3 – 2007**  
**Consolidated Financial Statements**  
**For the Three and Nine months ended**  
**May 31, 2007**

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SCORE  
MEDIA

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
For the Three and Nine Months Ended May 31, 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 nine months ended May 31, 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 July 11, 2007.

## HIGHLIGHTS

- *Revenue* for the three months ended May 31, 2007 was \$9.4 million, compared to \$8.0 million in the prior year, an increase of \$1.4 million. For the nine months ended May 31, 2007, revenue was \$26.3 million, compared to \$22.1 million in the prior year, an increase of \$4.2 million.
- *EBITDA* (see "Definitions") for the three months ended May 31, 2007, was \$1.9 million compared to \$2.0 million in the same period last year, a decrease of \$0.1 million. EBITDA for the nine months ended May 31, 2007 was \$5.1 million compared to \$4.3 million in the same period last year, an increase of \$0.8 million. During the three and nine months ended May 31, 2007, operating costs increased particularly on account of increased spending for high definition television programming, and increased investment in the Company's new business units.
- *Net income* for the three months ended May 31, 2007 was \$0.7 million, compared to \$1.7 million in the prior year. Net income during the third quarter of 2007 was net of income tax expense of \$0.7 million compared to no income tax expense in the same period last year. For the nine months ended May 31, 2007, net income was \$1.9 million, compared to \$3.2 million in the prior year. Net income during the nine months ended May 31, 2007 was net of income tax expense of \$1.9 million compared to no income tax expense in the same period last year.
- 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.
- In April 2007 the Company's wholly-owned subsidiaries, The Score Television Network and Score Media Ventures Inc., acquired rights to broadcast 10 races of the World Champ Car series. Included in the package were online and mobile rights for all features and highlights of the Champ Car races.
- On June 20, 2007, the Company announced that its principal shareholder, Levfam Holdings Inc. ("Levfam"), had delivered a notice to Alliance Atlantis Communications Inc. ("Alliance Atlantis") offering to sell all of the Class A Subordinate Voting Shares and Special Voting Shares of the Company held by Levfam and certain of its affiliates and associates for a price of \$2.90 per share. The Company also announced that its board of directors had established a special committee to assess any potential change of control transaction that may result from Levfam's notice to Alliance Atlantis. The special committee of the Company's board has retained Genuity Capital Markets as its financial advisor in connection with any potential change of control transaction involving the Company.
- On June 20, 2007, the Company announced that it had entered into an agreement with Levfam relating to the sale by the Company to Levfam of the Company's Hardcore

Sports Radio business for a price of \$1.5 million. The sale is conditional upon the acquisition by Alliance Atlantis or other third parties of Levfam's shares in the Company at a price of not less than \$2.90 per Class A Subordinate Voting Share, in addition to certain other conditions. Genuity Capital Markets provided the special committee of the Company's board of directors with advice as to the appropriateness of the consideration to be received by the Company.

## **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 6.2 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.

## **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 May 31, 2007</b>	<b>Three months ended May 31, 2006</b>
	(000's)	(000's)
Income for the period	\$ 723	\$ 1,709
Less:		
Income from discontinued operations	-	91
Add back:		
Depreciation and amortization	483	298
Interest expense (net)	35	58
Income tax expense	683	-
<b>EBITDA</b>	<b>\$ 1,924</b>	<b>\$ 1,974</b>

	<b>Nine months ended May 31, 2007</b>	<b>Nine months ended May 31, 2006</b>
	(000's)	(000's)
Income for the period	\$ 1,856	\$ 3,231
Less:		
Income from discontinued operations	-	91
Add back:		
Depreciation and amortization	1,269	838
Interest expense	114	323
Income tax expense	1,881	-
<b>EBITDA</b>	<b>\$ 5,120</b>	<b>\$ 4,301</b>

## Consolidated Results

The following selected quarterly financial data of the Corporation relates to the eight quarters ended May 31, 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>
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$)	(\$)
May 31, 2007	9,364	723	-	723	0.01	0.01
February 28, 2007	7,731	262	-	262	0.00	0.00
November 30, 2006	9,221	871	-	871	0.01	0.01

<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>
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

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 third 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 May 31, 2007***

*Revenue* for the three months ended May 31, 2007 increased by \$1.4 million to \$9.4 million compared to \$8.0 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 during the past 2 years.

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 2006. Television advertising revenue increased by approximately \$0.9 million during the third quarter, reflecting successes in broadcasting 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 \$0.4 million from the new business units.

*Operating expenses excluding rights fees* were \$6.2 million during the quarter, compared to \$5.4 million in the prior year, representing an increase of \$0.8 million. In fiscal 2007, the Company incurred higher programming expenses related to live event programming, higher compensation costs as a result of general staffing increases, increased spending for high definition television programming, increased investment in the Company's new business units, and greater occupancy costs at the Company's Toronto office.

*Program rights expenses* were \$1.3 million during the quarter, an increase of \$0.7 million compared to \$0.6 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, and NCAA basketball.

*EBITDA* was \$1.9 million compared to \$2.0 million in the same period last year, a decrease of \$0.1 million.

*Interest expense (net)* for the third quarter was approximately nil compared to \$0.1 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 11.8 million Class A Subordinate voting shares to the public at a price of \$0.85 per share during the third 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 May 31, 2007 (2006 – \$0.1 million).

*Depreciation and amortization expense* increased \$0.2 million in the third quarter to \$0.5 million compared to \$0.3 million in the prior year, reflecting the depreciation of new fixed assets in The Score as well as in Hardcore Sports Radio and Score Media's interactive properties that were launched in the past 2 years. For the third quarter, fixed asset additions were approximately \$1.2 million compared to \$0.5 million in the prior year; fixed asset additions were largely associated with upgrading television broadcasting infra-structure in preparation for the introduction of a "high definition" rebuild, and for new software and computer equipment to support the new interactive properties.

*Net income* for the three months ended May 31, 2007 was \$0.7 million or \$0.01 per share based on a diluted weighted average 99.6 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to \$1.7 million or \$0.02 per share based on a diluted weighted average 97.4 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

During the three months ended May 31, 2007, net income was net of income tax expense of \$0.7 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 third quarter ended May 31, 2007, the income tax expense of \$0.7 million drew down the future tax asset. The Company's effective tax rate was approximately 49% 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.

### ***Nine months ended May 31, 2007***

*Revenue* for the nine months ended May 31, 2007 increased by \$4.2 million to \$26.3 million compared to \$22.1 million in the prior year. This increase was due to approximately \$0.3 million in increased television subscriber revenue, approximately \$3.1 million in increased television advertising revenue, and approximately \$0.8 million of revenues from Hardcore Sports Radio and Score Media's interactive properties that were launched during the past 2 years.

*Operating expenses excluding rights fees* were \$17.9 million for the nine months ended May 31, 2007 compared to \$16.0 million in the prior year, representing an increase of \$1.9 million. In fiscal 2007, the Company incurred higher programming expenses related to live event programming, higher compensation costs as a result of general staffing increases, increased spending for high definition television programming, increased investment in the Company's new business units, and greater occupancy costs at the Company's Toronto office.

*Program rights* were \$3.3 million during the nine month period ended May 31, 2007, compared to \$1.8 million in the prior year, an increase of \$1.5 million. Program rights for the nine month period ended May 31, 2007 increased for live events such as NBA and NCAA basketball, as well as Canadian college football.

*EBITDA* for the nine months ended May 31, 2007 was \$5.1 million, compared to \$4.3 million for the same period last year, resulting in an increase of \$0.8 million.

*Interest expense (net)* for the nine month period ended May 31, 2007 was \$0.1 million compared to \$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 \$0.3 million in the nine months ended May 31, 2007 (2006 – \$0.1 million).

*Depreciation and amortization expense* for the nine month period ended May 31, 2007 increased \$0.5 million in the third quarter to \$1.3 million compared to \$0.8 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 during the past 2 years. Fixed asset additions were approximately \$4.0 million compared to \$1.4 million in the prior year; fixed asset additions were largely associated with upgrading television broadcasting infra-structure in preparation for the introduction of a "high definition" rebuild, and for new software and computer equipment to support the new interactive properties.

*Net income* for the nine months ended May 31, 2007 was \$1.9 million or \$0.02 per share based on a diluted weighted average 98.4 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to \$3.2 million or \$0.04 per share based on a diluted weighted average 89.0 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

During the nine months ended May 31, 2007, net income was net of income tax expense of \$1.9 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 nine months ended May 31, 2007, the income tax expense of \$1.9 million drew down the future tax asset. The Company's effective tax rate was approximately 50% 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 May 31, 2007 were \$1.4 million compared to cash flows provided by operations of \$0.5 million in the prior year. The increase of \$0.9 million reflects increases in non-cash expenses – primarily income taxes in the amount of \$0.7 million – and movements in non-cash working capital, which was partially offset by a decrease in net income.

For the nine months ended May 31, 2007, cash flows provided by operations were \$3.3 million compared to cash flows provided by operations of \$2.0 million in the prior year. The increase of \$1.3 million reflects increases in non-cash expenses – primarily income taxes in the amount of \$1.9 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 May 31, 2007 was \$0.4 million compared to \$0.1 million in the prior year. Cash flow provided by financing activities for the nine months ended May 31, 2007 was \$0.4 million compared to \$9.8 million in the nine months ended May 31, 2006 largely due to the proceeds received from an equity issue in 2006.

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. During the three months ended May 31, 2007, the underwriter exercised 477,200 of the warrants for net proceeds of \$0.4 million to the Company, and during the nine months ended May 31, 2007, exercised 949,900 warrants for net proceeds of \$0.8 million.

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 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.

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 which was not being used by the Company, matured in May 2007 and was not renewed. The \$10 million term loan is available for general

corporate purposes. At May 31, 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 \$8.2 million.

The Company plans to establish a new and expanded credit facility in the fourth quarter of fiscal 2007.

*Cash flows used in investment activities* for the three months ended May 31, 2007 was \$1.3 million compared to cash flows used in investment activities of \$0.6 million in the prior year. Fixed asset additions were largely associated with expanding the television network's "high definition" broadcasting capabilities and for new software and computer equipment to support new interactive properties.

Cash flows used in investment activities for the nine months ended May 31, 2007 was \$4.1 million compared to cash flows used in investment activities of \$1.5 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 \$6.1 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 May 31, 2007, and August 31, 2006 and the notes thereto.

Contractual operating obligations as at May 31, 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	455	1,472	1,074	1,121	685	1,750	6,557
Programming rights obligations	180	2,719	1,610	1,639	-	-	6,148
Long-term debt obligations	250	1,000	1,500	6,500	-	-	9,250
<b>Total</b>	<b>885</b>	<b>5,191</b>	<b>4,184</b>	<b>9,260</b>	<b>685</b>	<b>1,750</b>	<b>21,955</b>

### **Related Party Transactions**

During the three months ended May 31, 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 during the three months ended May 31, 2007 amounted to \$9,000 and nil (2006 - \$12,000 and nil), respectively. For the nine month period ended May 31, 2007, the services amounted to \$22,000 and nil (2006 - \$23,000 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 nine months ended May 31, 2007 amounted to \$35,000 and \$105,000 (2006 - \$35,000 and \$70,000), 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)**

	May 31, 2007	August 31, 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 10,644	\$ 11,101
Accounts receivable	7,811	6,279
Prepaid expenses and deposits	1,237	712
Future tax assets	1,741	1,741
	<u>21,433</u>	<u>19,833</u>
Fixed assets	7,145	4,275
Deferred charges	559	577
Future tax assets	5,520	7,401
	<u>\$ 34,657</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	3,507	3,330
Current portion of capital lease obligation	37	40
	<u>4,544</u>	<u>4,370</u>
Term loan (note 1)	8,250	9,000
Capital Lease obligation	62	90
Shareholders' equity (note 2)	21,801	18,626
	<u>\$ 34,657</u>	<u>\$ 32,086</u>

Commitments (note 5)  
Subsequent events (note 6)

See accompanying notes to consolidated financial statements

## Score Media Inc.

### Consolidated Statements of Operations and Retained Earnings (Deficit)

(in thousands of dollars, except per share amounts)

(unaudited)

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2007	2006	2007	2006
Revenue	\$ 9,364	\$ 8,010	\$ 26,316	\$ 22,140
Production and other direct expenses	3,549	3,337	10,642	9,820
Selling, general and administration	2,617	2,108	7,285	6,182
Program rights	1,274	596	3,290	1,842
	<u>7,440</u>	<u>6,041</u>	<u>21,217</u>	<u>17,844</u>
Income before undernoted	1,924	1,969	5,099	4,296
Gain on sale of investments	-	5	21	5
Income before interest, depreciation and amortization	1,924	1,974	5,120	4,301
Interest expense, net	35	58	114	323
Depreciation	442	264	1,151	744
Amortization	41	34	118	94
Income before income taxes	1,406	1,618	3,737	3,140
Income tax expense	683	-	1,881	-
Income from continuing operations	723	1,618	1,856	3,140
Income from discontinued operations	-	91	-	91
Net income for the period	<u>\$ 723</u>	<u>\$ 1,709</u>	<u>\$ 1,856</u>	<u>\$ 3,231</u>
Deficit, beginning of period	-	(83,363)	(71,849)	(84,885)
Reduction in stated capital (note 2ii)	-	-	70,716	-
Retained earnings (Deficit), end of period	<u>\$ 723</u>	<u>\$ (81,654)</u>	<u>\$ 723</u>	<u>\$ (81,654)</u>
Income per share from continuing operations - basic and diluted	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.04</u>
Income per share - basic and diluted	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.04</u>
Weighted average number of Class A Subordinate Voting and Special Voting Shares outstanding (note 3) Basic	97,586,418	96,359,354	96,875,937	88,332,828
Diluted	99,619,673	97,437,819	98,388,202	89,016,861

See accompanying notes to 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,	
	2007	2006	2007	2006
Cash provided by (used in):				
Operations:				
Net income from continuing operations	\$ 723	\$ 1,618	\$ 1,856	\$ 3,140
Items not involving cash:				
Depreciation	442	264	1,151	744
Amortization	41	34	118	94
Non-cash compensation expense	57	67	131	202
Income tax expense	683	-	1,881	-
Change in non-cash operating working capital:				
Accounts receivable	(729)	(1,147)	(1,532)	(1,538)
Prepaid expenses and deposits	192	(209)	(525)	(248)
Accounts payable and accrued liabilities	(54)	(128)	177	(339)
Cash Flows provided by Continuing Operations	1,355	499	3,257	2,055
Cash Flows used in Discontinued Operations	-	(9)	-	(13)
Cash Flows provided by Operating Activities	1,355	490	3,257	2,042
Financing:				
Issuance of common shares	687	-	1,188	10,405
Loan repayments	(250)	-	(750)	(700)
Capital lease obligation repayments	(9)	140	(31)	140
	428	140	407	9,845
Investing:				
Additions to fixed assets	(1,236)	(475)	(4,021)	(1,419)
Deferred charges	(37)	(102)	(100)	(102)
	(1,273)	(577)	(4,121)	(1,521)
Increase (decrease) in cash and cash equivalents	510	53	(457)	10,366
Cash and cash equivalents, beginning of period	10,134	10,339	11,101	26
Cash and cash equivalents, end of period	\$ 10,644	\$ 10,392	\$ 10,644	\$ 10,392
Supplemental Cash Flow information				
Interest paid	\$ 145	\$ 143	\$ 442	\$ 393
Income taxes paid	-	-	-	-

See accompanying notes to consolidated financial statements

## **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 6.2 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.

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 third 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 May 31, 2007 and the results of operations and cash flows for the three and nine months ended May 31, 2007 and May 31, 2006.

## Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 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 was comprised of a \$10,000, 5-year term loan maturing on August 31, 2010, and a \$5,000 revolving credit facility which was not being used by the Company, matured in May 2007 and was not renewed. The \$10,000 term loan is available 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 May 31, 2007, \$9,250 of the five-year loan had been drawn. Of the \$9,250 term loan, \$1,000 has been classified as a current liability as the amount is due within 12 months. For the three months ended May 31, 2007, interest expense of \$35 (2006 - \$58) is net of interest income of \$112 (2006 - \$93). For the nine months ended May 31, 2007, interest expense of \$114 (2006 - \$323) is net of interest income of \$344 (2006 - \$113). 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 nine months ended May 31, 2007 and 2006 (unaudited)

### 2. Shareholders' Equity:

	May 31, 2007	August 31, 2006
Capital stock	\$19,731	\$88,935
Warrants	0	284
Contributed surplus	1,347	1,256
Retained earnings (Deficit)	723	(71,849)
	\$21,801	\$18,626

#### (a) Capital Stock

	May 31, 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
97,772,350 Class A Subordinated Voting shares (August 31, 2006 – 96,357,034)	19,701	88,905
	\$ 19,731	\$ 88,935

## Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 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	465,416	-	420	-
Warrants exercised (i)	949,900	-	1,092	-
Reduction in stated capital (ii)			(70,716)	
Balance, May 31, 2007	97,772,350	10,000	\$ 19,701	\$ 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 approximately \$10,400.

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. During the three and nine months ended May 31, 2007, the underwriter exercised 477,200 warrants for net proceeds of \$406 and 949,900 warrants for net proceeds of \$807, respectively. No warrants remain outstanding as at May 31, 2007.

- (ii) On February 28, 2007, the Company reduced the stated capital of the Class A Subordinated Voting shares by \$70,716. 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 Canada Business Corporations Act.

## Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2007 and 2006 (unaudited)

### 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	(465,416)	0.28 – 1.00	0.82
Outstanding options, May 31, 2007	3,086,251	0.28 – 0.84	0.56
Options exercisable, May 31, 2007			2,175,812
Options exercisable, August 31, 2006			2,230,832

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 nine months ended May 31, 2007 and 2006 (unaudited)

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

As at May 31, 2007, the weighted average remaining contractual life of the options exercisable and outstanding was 2.5 years and 3.0 years, respectively. The following summarizes information about the employee stock options at May 31, 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	1.0	272,500
0.36	200,000	0.6	200,000
0.43	494,500	2.6	399,477
0.54	1,000,000	3.1	1,000,000
0.55	388,834	3.5	183,835
0.84	730,417	4.5	120,000
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\$0.56	3,086,251	3.0	2,175,812

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During the nine months ended May 31, 2007, 732,500 (May 31, 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 nine months ended May 31, 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 May 31,		Nine months ended May 31,	
	2007	2006	2007	2006
Numerator:				
Net income from continuing operations	\$723	\$1,618	\$1,856	\$3,140
Net income	\$723	\$1,709	\$1,856	\$3,231
Denominator (000's):				
Weighted average shares outstanding – basic	97,586	96,359	96,876	88,333
Effect of dilutive stock options	2,034	1,079	1,512	684
Weighted average shares outstanding – diluted	99,620	97,438	98,388	89,017
Income per share from continuing operations, basic and diluted	\$0.01	\$0.02	\$0.02	\$0.04
Income per share, basic and diluted	\$0.01	\$0.02	\$0.02	\$0.04

### 4. Related party transactions:

During the three months ended May 31, 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 during the three months ended May 31, 2007 amounted to \$9 and nil (2006 - \$12 and nil), respectively. For the nine month period ended May 31, 2007, the services amounted to \$22 and nil (2006 - \$23 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 nine months ended May 31, 2007 amounted to \$35 and \$105 (2006 - \$35 and \$70), respectively.

## Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2007 and 2006 (unaudited)

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### 4. Related party transactions (cont'd):

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

In addition, refer to the discussion in Note 6 related to the announcements made by the Company and its controlling shareholder, Levfam Holdings Inc.

### 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 2006, 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	\$ 180
2008	2,719
2009	1,610
2010	1,639
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	\$ 6,148

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## Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2007 and 2006 (unaudited)

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### 6. Subsequent events:

The Company announced on June 20, 2007 that its controlling shareholder, Levfam Holdings Inc. ("Levfam") had delivered a notice to Alliance Atlantis Communications Inc. ("Alliance Atlantis"), a shareholder of the Company, offering to sell all of the Class A Subordinate Voting Shares and Special Voting Shares of the Company held by Levfam and its affiliates and associates for a price of \$2.90 per share.

As at June 20, 2007 Levfam and certain of its affiliates and associates held 36,743,552 Class A Subordinate Voting Shares, representing approximately 37.8% of the total number of Class A Subordinate Voting Shares outstanding, and 5,566 Special Voting Shares, representing 55.7% of the total number of the Special Voting Shares outstanding. The Company's board of directors has established a special committee to assess any potential change of control transaction that may result from Levfam's notice to Alliance Atlantis. The special committee has retained Genuity Capital Markets as its financial advisor in connection with any potential change of control transaction involving the Company.

The Company also announced on June 20, 2007 that it had entered into an agreement with Levfam relating to the sale to Levfam of the Company's Hardcore Sports Radio business for a price of \$1,500. The sale is conditional upon the acquisition by Alliance Atlantis or other third parties of Levfam's shares of the Company at a price of not less than \$2.90 per Class A Subordinate Voting Share, in addition to certain other conditions. The agreement may be terminated if the sale by Levfam of its shares of the Company to Alliance Atlantis or a third party has not been completed by November 17, 2007, unless Levfam enters into such an agreement prior to that date, is diligently pursuing the sale transaction, and completes the sale by June 20, 2008. The Company's board of directors, upon the recommendation of the special committee, has approved the proposed Hardcore Sports Radio transaction. Genuity Capital Markets provided the special committee with advice as to the appropriateness of the consideration to be received by the Company.

Levfam's notice was provided pursuant to a Respective Rights Agreement made November 24, 2000, to which Levfam, Alliance Atlantis and the Company are parties. The provisions of the Respective Rights Agreement provide that Alliance Atlantis will have a 30 day period in which to choose to accept the offer set forth in the notice, and in the event that Alliance Atlantis does not accept the offer, Levfam will have a period of 120 days during which it may enter into a binding agreement to sell its shares in the Company to one or more third parties, provided that such sale is made for a price and on terms and conditions no more favourable than those offered to Alliance Atlantis in the notice.

There can be no assurance that Alliance Atlantis will accept the offer set forth in the Levfam notice, or that, following expiry of the 30-day offer period, any transaction will be agreed with another third party to acquire Levfam's shares on the permitted terms.