



S C O R E
M E D I A

Q1 – 2010
Consolidated Financial Statements
For the Three Months Ended
November 30, 2009



*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 Months Ended November 30, 2009**

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 ended November 30, 2009. The MD&A should be read in conjunction with the interim consolidated financial statements of Score Media as at and for the three months ended November 30, 2009. 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, and financial risks, which are discussed in the Company's Annual Information Form dated November 27, 2009. 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 January 13, 2010.

HIGHLIGHTS

- *Revenue* for the quarter ended November 30, 2009 increased by \$0.9 million or 8% to \$11.4 million compared to \$10.5 million in the quarter ended November 30, 2008. This was the highest revenue quarter in the Company's history.
- *EBITDA* (see "Definitions") for the quarter ended November 30, 2009 increased by \$2.1 million to \$3.3 million compared to \$1.2 million in the quarter ended November 30, 2008. Excluding the impact of a \$0.8 million CRTC Part II regulatory fee reversal, EBITDA for the quarter ended November 30, 2009 more than doubled with an increase of \$1.3 million to \$2.5 million compared to \$1.2 million in the prior year.
- Net income for the quarter ended November 30, 2009 was \$1.1 million, compared to \$0.2 million in the previous year.
- ScoreMobile for BlackBerry and ScoreMobile iPhone Edition are growing rapidly in the North American market. In November 2009 alone, this application amassed more than 1 million combined unique users (over 60% U.S.-based), and received over 300,000 application downloads.
- The Score's 2009-2010 NBA coverage kicked-off with a record audience during the Toronto Raptors first regular season game versus the Cleveland Cavaliers. With 20 Raptors games, 40 NBA games, multi-platform programming and an expanded line-up of basketball coverage, including weekly episodes of Court Surfing, Canadian basketball fans can expect a comprehensive round-up of live games, highlights and signature Score content throughout the NBA season.
- theScore.com web traffic is growing rapidly; in the three months ended November 30, 2009, page visits were up 11% compared to the same month in the previous year. theScore.com Sports Federation also experienced significant growth, jumping from 12 to 26 blogs since its inception in November 2008 and 247,000 unique visitors in November 2009 compared to 21,000 unique visitors in the same month of 2008.
- The Score HD became available to Shaw Cable and Shaw Direct customers, expanding our high definition footprint amongst Canadian households.
- On August 31, 2009, BBM Canada launched a new national audience measurement service in the form of the Portable People Meter (PPM). The PPM is a small lightweight device, about the size of a pager which will be carried by 9,000 randomly-chosen panelists who are representative of the Canadian population. Audiences on The Score were up more than 50% in the first quarter of fiscal 2010 compared to the same period in the prior year. Additionally, in the strategic 18-34 male demographic, audiences were up over 75% in the comparative periods. Viewers are increasingly tuning in for the Company's continued creation, production, and acquisition of entertaining content.

- On September 21st, 2009, The Score began airing *Gillette DRAFTED, The Search for Canada's Next Sportscaster*. Through this partnership with Procter & Gamble, one of North America's largest and most prolific marketers, The Score created integrated, multi-platform, branded entertainment for distribution both online and on-air.

Overview

Score Media is a media company committed to delivering interactive and authentic sports entertainment. Created in 1997 in response to the growing desire for increased participation in the consumption of sports, the Company has now established itself as the home for hardcore sports fans. Score Media's primary asset, The Score Television Network ("The Score"), is a national specialty television service providing sports news, information, highlights and live event programming in more than 6.6 million homes across Canada. Score Media also operates Hardcore Sports Radio, a satellite radio network available across North America on Sirius Satellite Radio, and other interactive assets including theScore.com and ScoreMobile. Growing from a team of 60 in 1997 to over 220 employees in 2009, Score Media is a revolutionizing interactive media company.

Definitions

The Company focuses its analysis on EBITDA (earnings before interest, taxes, depreciation and amortization) and net income. EBITDA and net income for the three months ended November 30, 2009 and 2008 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 in accordance with Canadian GAAP. 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, amortization, and interest) 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 table reconciles net income to EBITDA:

	Three months ended November 30, 2009	Three months ended November 30, 2008
	(000's)	(000's)
Net income for the period	\$ 1,065	\$ 248
Add back:		
Depreciation and amortization	999	1,110
Interest expense, net	149	58
Income tax expense (recovery)	1,068	(196)
EBITDA	\$ 3,281	\$ 1,220

Consolidated Results

The following selected quarterly financial data of the Corporation relates to the preceding eight quarters, inclusive of the quarter ended November 30, 2009.

Quarterly Results	Revenue	EBITDA	Net income (loss)	Income (loss) per share – basic and diluted
	(\$000's)	(\$000's)	(\$000's)	(\$)
November 30, 2009	11,371	3,281	1,065	0.01
August 31, 2009	8,909	677	(675)	(0.01)
May 31, 2009	10,816	1,654	12	0.00
February 28, 2009	8,662	204	(1,017)	(0.01)
November 30, 2008	10,498	1,220	248	0.00
August 31, 2008	8,524	1,565	1,169	0.01
May 31, 2008	10,206	2,185	693	0.01
February 28, 2008	8,363	939	43	0.00

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.

Three Months Ended November 30, 2009

Revenue for the three months ended November 30, 2009 increased by \$0.9 million or 8% to \$11.4 million compared to \$10.5 million for the same period in the prior year. This revenue increase was due to a combination of greater television advertising and subscriber revenue, as well as increased revenues from Score Media's emerging interactive properties.

Television advertising and subscriber revenue increased by \$0.5 million and \$0.1 million, respectively, in the first quarter of fiscal 2010 reflecting continued growth in audience and the

subscriber base with several broadcast distribution undertakings, compared to the first quarter of fiscal 2009. The emerging business units provided increased revenue of \$0.3 million compared to the first three months of fiscal 2009 primarily due to increased advertising on theScore.com and ScoreMobile.

Production and other direct expenses were \$4.3 million for the three months ended November 30, 2009 compared to \$4.5 million in the prior year, a decrease of \$0.2 million. This decrease in production expenses resulted from efficiencies realized in the Company's efforts to produce multi-platform content.

Selling, general and administrative expenses were \$2.7 million for the three months ended November 30, 2009 compared to \$3.8 million in the prior year, a decrease of \$1.1 million. This decrease was primarily due to the reversal of the Company's accrual of CRTC Part II fees related to the 2007, 2008, and 2009 fiscal years.

Program rights expenses were \$1.1 million during the quarter, an increase of \$0.2 million compared to \$0.9 million in the prior year. The increase reflects increased fees associated with NBA and NCAA television and NBA interactive rights compared to the prior year.

EBITDA was \$3.3 million for the three months ended November 30, 2009, an increase of \$2.1 million compared to \$1.2 million in same period of the prior year.

Interest expense, net for the first quarter remained consistent with the same period last year at \$0.1 million.

Depreciation and amortization expense decreased \$0.1 million in the first quarter to \$1.0 million compared to \$1.1 million in the prior year. Depreciation is largely related to fixed assets associated with the Company's new HD studio and street-front exterior completed in fiscal 2009.

Net income for the three months ended November 30, 2009 was \$1.1 million or \$0.01 per share based on a diluted weighted average 81.2 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to \$0.2 million or \$0.00 per share based on a diluted weighted average 98.4 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

During the three months ended November 30, 2009, net income included income tax expense of \$1.1 million compared to income tax recovery of \$0.2 million in the same period in the prior year, a variance of \$1.3 million. In November 2009, a provincial corporate tax rate reduction was substantively enacted by the government. The revised combined future statutory tax rate for the Company is expected to be reduced by 4% and will be phased in over the next four years. The impact of this rate change was a reduction in the future tax asset of \$0.9 million, which was entirely recorded in the first quarter of fiscal 2010. Excluding the impact of this rate reduction, normalized future income tax expense based on income in the Company's taxable entities was \$0.2 million for the three months ended November 30, 2009.

Liquidity and Capital Resources

Cash flows provided by operations for the three months ended November 30, 2009 were \$1.6 million compared to \$2.7 million in the prior year. The decrease of \$1.1 million reflects movements in non-cash working capital offset by an increase in net income and future income tax expense.

Cash flows used in financing activities for the three months ended November 30, 2009 were \$0.4 million compared to cash flows provided by financing activities of \$1.1 million in the prior year, a decrease of \$1.5 million. The Company anticipates further credit facility repayments in fiscal 2010 following the completion of the new HD studio, street-front exterior and Issuer Bid in the prior year.

On August 28, 2007, the Company entered into a \$25 million revolving three-year term credit facility with a Canadian chartered bank. On December 19, 2008, the Company amended this credit facility by extending the term by one year and modified certain financial covenants. The credit facility is available to fund capital improvements 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, and the maintenance of certain financial covenants. Financial covenants include total funded debt to EBITDA 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 operating subsidiaries and the subordination and pledge of shareholder and inter-company loans.

As of November 30, 2009 the Company had drawn \$11.0 million from the credit facility through a combination of its line of credit and bankers' acceptance notes. The Company believes that its cash and cash equivalents, in addition to the bank credit facility, provide it with sufficient working capital to support its operations for the foreseeable future.

Cash flows used in investing activities for the three months ended November 30, 2009 were \$1.0 million compared to \$3.9 million in the prior year, a decrease of \$2.9 million. For fiscal 2010, with the capital expenditure program complete, the Company anticipates reduced cash flows to be used in investment activities compared to the last two fiscal years.

Other than the credit facilities described above and the interest rate swap described below, the Company has no other significant financial instruments other than standard trade related items and thus believes that there are no significant price, credit or liquidity risks to which the Company is exposed.

Interest Rate Swap

On May 13, 2009, the Company entered into an interest rate swap agreement with a notional amount of \$7.0 million in order to limit its exposure to variability in forecasted cash flows due to changes in the general level of market interest rates. For accounting purposes, the Company

designated \$6.7 million of the swap as an effective cash flow hedge against the designated BA based borrowings under the credit facility.

As of November 30, 2009, the fair value of the swap was a liability of \$64 which was recorded in accounts payable and accrued liabilities.

Contractual Obligations

The Company has no debt guarantees, capital leases or long-term obligations other than the credit facility, which is disclosed on the Consolidated Balance Sheet as at November 30, 2009, and August 31, 2009, and the commitments which are disclosed in the notes to the Consolidated financial statements.

As at November 30, 2009, contractual operating obligations for the fiscal years noted below are as follows:

Contractual Obligations (in thousands of dollars)	2010	2011	2012	2013	2014	Thereafter	Total
Operating lease obligations	2,050	2,171	2,010	1,901	1,193	-	9,325
Programming rights obligations	3,435	31	-	-	-	-	3,466
Long-term debt obligations	-	11,026	-	-	-	-	11,026
Total	5,485	13,228	2,010	1,901	1,193	-	23,817

Related Party Transaction

The Company entered into a lease in May 2007 for a property partially owned by a director and officer of the Company. The aggregate rent paid during the three months ended November 30, 2009 amounted to \$8,000 (three months ended November 30, 2008 - \$8,000).

The related party transaction was reported at its exchange amount agreed to by the parties which the Company believes is representative of fair value.

Critical Accounting 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, the useful lives of depreciable assets and the recoverability of long lived assets. In making such estimates and assumptions, management

consults with employees knowledgeable in the area; gathers relevant information; and 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.

In our 2009 Annual Audited Consolidated Financial Statements and Notes thereto, as well as in our 2009 Annual MD&A, we have identified the accounting estimates that are critical to the understanding of our business operations and our results of operations. For the three months ended November 30, 2009 there are no changes to the critical accounting policies and estimates from those found in our 2009 Annual MD&A.

Adoption of new accounting pronouncements

In 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets ("Section 3064"). Section 3064 replaced Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs. It establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and harmonizes the relevant literature of IFRS with Canadian GAAP. This new standard was retrospectively adopted for the Company's interim and annual consolidated financial statements commencing September 1, 2009.

Upon initial application, pre-operating costs of \$26 previously capitalized were expensed and computer software and interactive development of \$1,581 (August 31, 2009 - \$1,410), license costs of \$30 (August 31, 2009 - \$40), trademark costs of \$100 (August 31, 2009 - \$103), and financing costs of \$159 (August 31, 2009 - \$182) were reclassified as intangible assets.

Recent accounting pronouncements

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS"). The Company will adopt IFRS effective September 1, 2011. The Company has completed a preliminary assessment of the accounting and reporting differences under IFRS as compared to Canadian GAAP, however, management has not yet finalized its determination of the impact of these differences on the consolidated financial statements. As this assessment progresses, the Company intends to disclose such impacts in its future consolidated financial statements.

The Company has identified three phases to its conversion: planning and initial diagnostic, comprehensive analysis, and implementation. The planning and initial diagnostic phase involves performing a high-level impact assessment to identify key areas that are expected to be influenced by the transition to IFRS. The result of these procedures will be prioritizing IFRS conversion issues to assess the timing and complexity of transition efforts that will be required in subsequent phases. This planning and initial diagnostic phase is substantially complete.

In the comprehensive analysis phase, each area identified from the planning and initial diagnostic phase will be addressed in order of priority. This phase involves a detailed comparison between IFRS and the Company's existing policies, specification of changes required to existing accounting policies, processes and documentation, analysis of policy choices permitted under

IFRS and the development of draft IFRS financial statement content. The Company anticipates completing this phase in the second half of fiscal 2010.

The implementation phase includes finalizing accounting policy changes, execution of changes to information systems, controls and processes, preparing documentation to reflect IFRS guidance and completing training programs across the organization, as necessary. It will culminate in the Company fully grasping the impact of IFRS and having the capability to create pro-forma IFRS financial statements during the year leading up to the actual transition date. The Company anticipates completion of this phase in fiscal 2011.

In the period leading up to the changeover, the AcSB has indicated that it will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS on the conversion date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS applicable at the conversion date are known.

Controls and Procedures

There have been no changes in our internal controls over financial reporting during the first quarter of fiscal 2010 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Risks and Uncertainties

Our significant risks and uncertainties are summarized in our 2009 Annual MD&A. There have been no significant changes to those risks and uncertainties since August 31, 2009.

Other

Please refer to the attached interim Consolidated Financial Statements for the three months ended November 30, 2009, including the Notes thereto.

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

	November 30, 2009	August 31, 2009 (restated, note 2)
Assets		
Current assets:		
Cash and cash equivalents	\$ 399	\$ 276
Accounts receivable	9,417	6,875
Prepaid expenses and deposits	943	616
Future tax assets	663	663
	11,422	8,430
Fixed assets (note 3)	16,828	17,174
Intangible assets (note 4)	1,870	1,735
Future tax assets	5,943	7,011
	\$ 36,063	\$ 34,350
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	6,056	5,132
Revolving credit facility (note 5)	11,026	11,449
Shareholders' equity (note 6)	18,981	17,769
	\$ 36,063	\$ 34,350

See accompanying notes to unaudited interim consolidated financial statements

Score Media Inc.

Consolidated Statements of Operations

(in thousands of dollars, except share and per share amounts)

(unaudited)

	Three months ended November 30, 2009	Three months ended November 30, 2008 (restated, note 2)
Revenue	\$ 11,371	\$ 10,498
Production and other direct expenses	4,277	4,495
Selling, general and administration	2,695	3,845
Program rights	1,118	938
	<u>8,090</u>	<u>9,278</u>
Income before undernoted	3,281	1,220
Interest expense, net	149	58
Depreciation and amortization	999	1,110
	<u>2,133</u>	<u>52</u>
Income before income taxes	2,133	52
Future income tax expense (recovery) (note 8)	1,068	(196)
	<u>1,065</u>	<u>248</u>
Net income for the period	\$ 1,065	\$ 248
Income per share - basic and diluted	\$ 0.01	\$ 0.00
Weighted average number of Class A Subordinate Voting and Special Voting Shares outstanding (note 7)		
Basic	81,152,056	98,411,849
Diluted	<u>81,156,781</u>	<u>98,439,155</u>

See accompanying notes to unaudited interim consolidated financial statements

Score Media Inc.

Consolidated Statements of Shareholders' Equity
(in thousands of dollars, except share amounts)
(unaudited)

	Special Voting Shares		Class A Subordinate Voting Shares		Contributed surplus	Retained Earnings (Deficit)	Accumulated other comprehensive income (loss)	Total Shareholders' Equity
	Amount	Number of Shares	Amount	Number of Shares				
Three months ended November 30, 2009								
Balances, August 31, 2009, as reported	\$ 17	5,566	\$ 16,695	81,146,781	\$ 2,331	\$ (1,244)	(28)	\$ 17,771
Cumulative effect of HB 3064 adoption	-	-	-	-	-	(2)	-	(2)
Balances, August 31, 2009, as restated (note 2)	\$ 17	\$ 5,566	\$ 16,695	\$ 81,146,781	\$ 2,331	\$ (1,246)	\$ (28)	\$ 17,769
Stock based compensation expense for the period	-	-	-	-	177	-	-	177
Net income (loss) for the period	-	-	-	-	-	1,065	-	1,065
Change in fair value of interest rate swap	-	-	-	-	-	-	(34)	(34)
Shares issued on exercise of stock options	-	-	4	10,000	-	-	-	4
Balances, November 30, 2009	\$ 17	\$ 5,566	\$ 16,699	\$ 81,156,781	\$ 2,508	\$ (181)	\$ (62)	\$ 18,981
Three months ended November 30, 2008								
Balances, August 31, 2008, as reported	\$ 30	10,000	\$ 20,128	98,411,849	\$ 2,247	\$ 3,680	-	\$ 26,085
Cumulative effect of HB 3064 adoption	-	-	-	-	-	26	-	26
Balances, August 31, 2008, as restated (note 2)	30	10,000	20,128	98,411,849	2,247	3,706	-	26,111
Stock based compensation expense for the period	-	-	-	-	68	-	-	68
Net income for the period	-	-	-	-	-	248	-	248
Balances, November 30, 2008, as restated (note 2)	\$ 30	\$ 10,000	\$ 20,128	\$ 98,411,849	\$ 2,315	\$ 3,954	\$ -	\$ 26,427

See accompanying notes to unaudited interim consolidated financial statements

Score Media Inc.
Consolidated Statements of Comprehensive Income
(in thousands of dollars)
(unaudited)

	Three months ended November 30, 2009	Three months ended November 30, 2009 (restated, note 2)
Net income	\$ 1,065	\$ 248
Other comprehensive loss:		
Cash flow hedging derivative instruments:		
Change in fair value of interest rate swap (note 5)	\$ (34)	\$ -
Comprehensive income	<u>\$ 1,031</u>	<u>\$ 248</u>

See accompanying notes to unaudited interim consolidated financial statements

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

	Three months ended November 30, 2009	Three months ended November 30, 2008 (restated, note 2)
Cash provided by (used in):		
Operations:		
Net income for the period	\$ 1,065	\$ 248
Items not involving cash:		
Depreciation and amortization	999	1,110
Stock based compensation expense	177	68
Future income tax expense	1,068	(196)
Change in non-cash operating working capital:		
Accounts receivable	(2,542)	(174)
Prepaid expenses and deposits	(327)	(217)
Accounts payable and accrued liabilities	1,123	1,842
	<u>1,563</u>	<u>2,681</u>
Financing:		
Draw from (repayment of) credit facility	(423)	1,118
Issuance of Class A subordinate voting shares	4	-
	<u>(419)</u>	<u>1,118</u>
Investing:		
Additions to fixed assets	(476)	(1,076)
Change in non-cash working capital related to fixed assets	(233)	(1,982)
Acquisition of intangible assets	(312)	(802)
	<u>(1,021)</u>	<u>(3,860)</u>
Increase (decrease) in cash and cash equivalents	123	(61)
Cash and cash equivalents, beginning of period	276	292
Cash and cash equivalents, end of period	<u>\$ 399</u>	<u>\$ 231</u>
Supplemental Cash Flow information		
Interest paid	<u>\$ 149</u>	<u>\$ 59</u>

See accompanying notes to unaudited interim consolidated financial statements

Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except share and per share amounts)

Three months ended November 30, 2009 and 2008 (unaudited)

1. Nature of operations

Score Media Inc. (the “Company”) is a media company committed to delivering interactive and authentic sports entertainment. Created in 1997 in response to the growing desire for increased participation in the consumption of sports, the Company has now established itself as the home for hardcore sports fans. The Company’s primary asset, The Score Television Network, is a national specialty television service providing sports news, information, highlights and live event programming in more than 6.6 million homes across Canada. The Company also operates Hardcore Sports Radio, a satellite radio network available across North America on Sirius Satellite Radio, and other interactive assets including theScore.com and ScoreMobile.

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 November 30, 2009, and the results of operations and cash flows for the three months ended November 30, 2009 and November 30, 2008.

2. Significant accounting policies

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, 2009. With the exception of Handbook Section 3064 as discussed below, 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, 2009.

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Score Media Inc.

Notes to Consolidated Financial Statements
(in thousands of dollars, except share and per share amounts)
Three months ended November 30, 2009 and 2008 (unaudited)

2. Significant accounting policies (cont'd)

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that significantly affects financial reporting requirements for Canadian public companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period.

In February 2008, the AcSB confirmed that IFRS will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after September 1, 2011. The Company's first annual IFRS financial statements will be for the year ending August 31, 2012 and will include the comparative period of fiscal 2011. Starting in the first quarter of fiscal 2012, the Company will provide unaudited consolidated financial information in accordance with IFRS including comparative figures for fiscal 2011.

The Company has completed a preliminary assessment of the accounting and reporting differences under IFRS as compared to Canadian GAAP, however, management has not yet finalized its determination of the impact of these differences on the consolidated financial statements. As this assessment is finalized, the Company intends to disclose such impacts in its future consolidated financial statements.

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS applicable at the conversion date are known.

Goodwill and Intangible Assets

In 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets ("Section 3064"). Section 3064 replaces Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs. It establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing September 1, 2009 and was applied retrospectively with restatement of prior periods.

Upon initial application, pre-operating costs of \$26 previously capitalized were expensed and computer software and interactive development of \$1,581 (August 31, 2009 - \$1,410), license costs of \$30 (August 31, 2009 - \$40), trademark costs of \$100 (August 31, 2009 - \$103), and financing costs of \$159 (August 31, 2009 - \$182) were reclassified as intangible assets.

Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except share and per share amounts)

Three months ended November 30, 2009 and 2008 (unaudited)

3. Fixed assets:

November 30, 2009	Cost	Accumulated depreciation	Net book value
Technical production equipment	\$ 23,204	\$ 12,638	\$ 10,566
Computer equipment	2,430	1,271	1,159
Office equipment and furniture	1,144	560	584
Leasehold improvements	7,348	2,829	4,519
	<u>\$ 34,126</u>	<u>\$ 17,298</u>	<u>\$ 16,828</u>

August 31, 2009	Cost	Accumulated depreciation	Net book value
Technical production equipment	\$ 22,908	\$ 11,923	\$ 10,985
Computer equipment	2,157	1,178	979
Office equipment and furniture	1,125	540	585
Leasehold improvements	7,339	2,714	4,625
	<u>\$ 33,529</u>	<u>\$ 16,355</u>	<u>\$ 17,174</u>

Depreciation expense for the three months ended November 30, 2009 amounted to \$822 (three months ended November 30, 2008 - \$896).

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4. Intangible assets:

	November 30, 2009	August 31, 2009
Licence costs, less accumulated amortization of \$250 (2008 - \$240)	\$ 30	\$ 40
Trademarks, less accumulated amortization of \$38 (2008 - \$35)	100	103
Financing costs, less accumulated amortization of \$177 (2008 - \$155)	159	182
Computer software and interactive development less accumulated amortization of \$2,598 (2008 - \$2,456)	1,581	1,410
	<u>\$ 1,870</u>	<u>\$ 1,735</u>

Amortization expense for the three months ended November 30, 2009 amounted to \$177 (three months ended November 30, 2008 - \$214).

5. Revolving credit facility:

On August 28, 2007, the Company entered into a \$25,000 revolving three-year term credit facility with a Canadian chartered bank. On December 19, 2008, the Company amended this credit facility by extending the term by one year to August 15, 2011. Loans and bankers' acceptances ("BA") 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, 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. The credit facility is available to fund capital improvements and for general corporate purposes. As at November 30, 2009, \$11,026 was drawn under the revolving credit facility.

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 operating subsidiaries and the subordination and pledge of intercompany loans. The Company was in compliance with the financial covenants included in the loan agreement as at November 30, 2009.

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5. Revolving credit facility (cont'd):

For the three months ended November 30, 2009, interest expense includes interest on the bank loans of \$149 (three months ended November 30, 2008 - \$59). Interest expense is net of interest income of nil (three months ended November 30, 2008 - \$1).

The weighted average interest rate for the three months ended November 30, 2009 was 5.3% (three months ended November 30, 2008 – 5.4%).

On May 13, 2009, the Company entered into an interest rate swap agreement with a notional amount of \$7,000 in order to fix the floating interest under its BA based on borrowings and limit its exposure to variability in forecasted cash flows due to changes in the general level of market interest rates. The Company designated \$6,700 of the swap as a cash flow hedge against the designated BA based borrowings under the credit facility.

As of November 30, 2009, the fair value of the swap was a liability of \$64 which is recorded in accounts payable and accrued liabilities. Included in other comprehensive income for the period is a loss of \$34 which results from the portion of the swap that was determined to be a cash flow hedge. Included in net income for the period is a \$1 charge resulting from the portion of the swap that was excluded from the assessment of hedge effectiveness.

6. Shareholders' Equity:

(a) Capital Stock:

The Company is authorized to issue the following capital stock:

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

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6. Shareholders' Equity (cont'd):

(b) Stock Options:

The following table summarizes the status of the Company's stock option plan:

	Number	Exercise price	Weighted average exercise price
Outstanding options, August 31, 2009	4,702,167	\$0.43 – 0.84	\$0.59
Granted	1,590,000	0.47	0.47
Cancelled	(493,667)	0.43 – 0.84	0.54
Exercised	(10,000)	0.43	0.43
Outstanding options, November 30, 2009	5,788,500	\$0.47 – 0.84	\$0.56
Options exercisable, November 30, 2009			2,916,000
Options exercisable, August 31, 2009			3,019,666

The maximum number of Class A Subordinate Voting Shares issuable under the Company's stock option plan is 8,000,000.

As at November 30, 2009, the weighted average remaining contractual life of the options exercisable and outstanding was 4.1 years and 6.5 years, respectively. The following summarizes information about the employee stock options at November 30, 2009:

Exercise price	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options exercisable
\$0.47	1,590,000	9.9	-
0.48	702,500	9.6	635,000
0.54	1,000,000	0.6	1,000,000
0.55	151,000	0.9	151,000
0.56	1,520,000	7.9	328,333
0.71	35,000	3.6	11,667
0.82	500,000	3.6	500,000
0.84	290,000	1.9	290,000
\$0.60	5,788,500	6.5	2,916,000

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6. Shareholders' Equity (cont'd):

On October 21, 2009 the Company granted 1,590,000 stock options. The weighted average estimated fair value at the date of the grant for the options granted was \$0.30. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2% - 3%
Dividend yield	—
Volatility factor of the future expected market price of common shares	66%
Weighted average expected life of the options	4 - 10 years

The estimated fair value of the options is amortized to expense over the vesting period. During the three months ended November 30, 2009, the Company recorded stock-based compensation expense of \$177 (three months ended November 30, 2008 - \$68).

7. Basic and diluted income per share:

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

	November 30, 2009	November 30, 2008
Numerator:		
Net income available to shareholders	\$ 1,065	\$ 248
Denominator:		
Weighted average shares outstanding - basic	81,152,056	98,411,849
Effect of dilutive stock options	4,725	27,306
Weighted average shares outstanding - diluted	81,156,781	98,439,155
Income per share – basic and diluted:	\$ 0.01	\$ 0.00

During the three months ended November 30, 2009, options to purchase 5,788,500 (three months ended November 30, 2008 – 3,366,418) Class A Subordinate Voting shares were outstanding but not included in the computation of diluted income per share because the impact would be anti-dilutive.

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8. Income taxes

During the three months ended November 30, 2009, net income was net of future income tax expense of \$1.1 million. In November 2009, a provincial corporate tax rate reduction was substantively enacted by the government. The revised combined future statutory tax rate for the Company will be reduced by 4% and phased in over the next four years. The impact of this rate change was a reduction in the future tax asset of \$0.9 million, which was recorded in the first quarter of fiscal 2010.

9. Related party transaction:

The Company entered into a lease in May 2007 for a property partially owned by a director and officer of the Company. The aggregate rent paid during the three months ended November 30, 2009 amounted to \$8 (three months ended November 30, 2008 - \$8).

The related party transaction was reported at its exchange amount, as agreed to between the parties.