SCORE MEDIA

Q3 – 2010
Consolidated Financial Statements
For the Three and Nine Months Ended
May 31, 2010

SCORE
MEDIA

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the Three and Nine Months Ended May 31, 2010

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 and nine months ended May 31, 2010. The MD&A should be read in conjunction with the interim consolidated financial statements of Score Media as at May 31, 2010 and for the three and nine months ended May 31, 2010. 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 July 14, 2010.

HIGHLIGHTS

- Revenue for the quarter ended May 31, 2010 increased by $1.2 million or 11% to $12.0 million compared to $10.8 million in the quarter ended May 31, 2009.

- EBITDA for the quarter ended May 31, 2010 increased by $262,000 or 16% to $1.9 million compared to $1.7 million in the quarter ended May 31, 2009.

- Score Media was, once again, the exclusive home of the NCAA Division I Men's Basketball tournament. All of the excitement from the 65 team championship was made available on The Score Television Network, with NCAA March Madness highlights and coverage appearing on theScore.com, ScoreMobile and The Score's Hardcore Sports Radio (HSR) SIRIUS Channel 98. Coverage included over 70 hours of tournament excitement, up-to-the-minute scores, video highlights, comprehensive blog coverage on www.theScore.com and instant scores, live blogging and video highlights on The Score's leading mobile app, ScoreMobile.

- Score Media and the Canadian Broadcasting Corporation (CBC) announced a partnership to deliver exclusive 2010 FIFA World Cup South Africa™ content to viewers on The Score Television Network. The deal gave The Score access to extended highlights of each FIFA World Cup™ match as well as the ability to create additional exclusive FIFA World Cup™ content, including in-depth news content and behind-the-scenes coverage of every team.

- The Score's 2010 FIFA World Cup South Africa™ coverage also included:
    - "32 Countries in 32 Days" – a preview of one participating team in each of the 32 days leading up to the tournament
    - "FIFA World Cup™ Tonight" – hosted by The Score's James Sharman, Kristian Jack and Sid Seixeiro and airing everyday at 10 pm ET and PT throughout the tournament, this premier programming gave fans their nightly fix of FIFA World Cup™ action, including 10 minute extended highlight packages of every match, as well as all the day's news and stories
    - Short-form Content – in-depth player and team features, news reports and highlights throughout The Score's daily programming schedule
    - "Cabbie's Journey to South Africa" – hosted by the one and only Cabral "Cabbie" Richards, this exclusive programming captured the adventures of Cabbie as he experienced the fans, events and scenery of the tournament
    - Exclusive K'naan Footage – Canadian music superstar K'naan inked a deal with Score Media to provide exclusive South Africa 2010 content which appeared throughout the tournament on both on The Score Television Network and theScore.com

- Score Media announced that The Basketball Jones, an irreverent web series covering the NBA, officially became a member of its talented roster of original content producers. Filled with inventive and humorous content, The Basketball Jones has been at the

forefront of digital sports media for the last four years producing over 500 episodes of its daily show.

- Score Media announced that it secured the exclusive Canadian media rights to Serie A, Italy's world-renowned professional soccer league. The two-year deal, which includes full digital rights, represents the first time a major Canadian sports network will deliver exciting high-definition Serie A action to sports fans across Canada.

- The Score and Procter & Gamble announced the return of Gillette DRAFTED, The Search for Canada's Next Sportscaster. Airing in Fall 2010, this year the competition will be even more exciting than before. More finalists. More challenges. More sportscasting.

- ScoreMobile announced the launch of ScoreMobile for Android, specifically designed for the Android platform. Just like existing versions of the leading sports app, ScoreMobile, the Android version provides up-to-the-minute sports scores, stats and standings of every major sports league, a customizable home screen widget, original video content, interactive live blogs and breaking news among other exciting features.

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 6.8 million homes across Canada. The Company's digital media assets include theScore.com, and the mobile sports smartphone apps ScoreMobile and ScoreMobile FC which are available on Blackberry, iPhone and Android. Score Media also operates Hardcore Sports Radio, a satellite radio network available across North America on Sirius Satellite Radio. Growing from a team of 60 in 1997 to over 230 employees in 2010, 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 and nine months ended May 31, 2010 and 2009 are reconciled in the tables 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), gains and losses from investment and fixed asset sales, 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 media 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:

	Three months ended May 31, 2010	**Three months ended May 31, 2009**
	(000's)	(000's)
Net income for the period	$ 568	$ 12
Add back:		
Depreciation and amortization	1,115	1,145
Interest expense, net	146	138
Gain on sale of investment	(18)	-
Loss on disposal of fixed assets	-	39
Income tax expense	105	320
EBITDA	$ 1,916	$ 1,654

	Nine months ended May 31, 2010	**Nine months ended May 31, 2009**
	(000's)	(000's)
Net income (loss) for the period	$ 1,393	$ (758)
Add back:		
Depreciation and amortization	3,164	3,386
Interest expense, net	449	261
Gain on sale of investment	(18)	-
Loss on disposal of assets	-	39
Income tax expense	1,189	149
EBITDA	$ 6,177	$ 3,077

Consolidated Results

The following selected quarterly financial data of the Company relates to the preceding eight quarters, inclusive of the quarter ended May 31, 2010.

Quarterly Results	Revenue	EBITDA	Net income (loss)	Income (loss) per share – basic and diluted
	($000's)	($000's)	($000's)	($)
May 31, 2010	11,986	1,916	568	0.01
February 28, 2010	9,958	980	(239)	0.00
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

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 May 31, 2010

Revenue for the three months ended May 31, 2010 increased by $1.2 million or 11% to $12.0 million compared to $10.8 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 advertising revenues from Score Media's digital media properties that include theScore.com and ScoreMobile.

Television advertising and subscriber revenue increased by $0.8 million and $0.1 million, respectively, in the third quarter of fiscal 2010 reflecting continued growth in audience and the subscriber base with several broadcast distribution undertakings, compared to the third quarter of fiscal 2009. The digital media unit provided increased revenue of $0.3 million compared to the third quarter of fiscal 2009 primarily due to increased audiences on theScore.com and ScoreMobile which resulted in greater advertising revenue.

Production and other direct expenses were $4.4 million for the three months ended May 31, 2010 compared to $4.3 million in the prior year, an increase of $0.1 million. This increase was due to increased technical and other operational expenses associated with the growth in our digital media business unit.

Selling, general and administrative expenses were $3.3 million for the three months ended May 31, 2010 compared to $3.0 million in the prior year, an increase of $0.3 million. This increase was primarily driven by higher stock-based and other compensation including sales commissions

resulting from significant revenue growth achieved in the comparative periods, as well as increased professional fees.

Program rights expenses were $2.3 million during the quarter, an increase of $0.5 million compared to $1.8 million in the prior year. This increase reflects increased fees associated with NBA and NCAA rights compared to the prior year.

EBITDA was $1.9 million for the three months ended May 31, 2010, an increase of $0.2 million compared to $1.7 million in same period of the prior year. Increased revenue of $1.2 million was offset by increased operating expenses of $1.0 million, as described above.

Interest expense, net remained unchanged at $0.1 million for the three months ended May 31, 2010 compared to last year.

Depreciation and amortization expense remained unchanged at $1.1 million in the third quarter of fiscal 2010 compared to the prior year. Depreciation is largely related to fixed assets associated with the Company's HD studio and street-front exterior completed in fiscal 2009.

Net income for the three months ended May 31, 2010 was $0.6 million or $0.01 per share based on a diluted weighted average 82.4 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to nil or $0.00 per share based on a diluted weighted average 91.4 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the same period of the prior year.

During the three months ended May 31, 2010, net income included income tax expense of $0.1 million compared to $0.3 million in same period last year.

Nine Months Ended May 31, 2010

Revenue for the nine months ended May 31, 2010 increased by $3.3 million or 11% to $33.3 million compared to $30.0 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 digital media properties that include theScore.com and ScoreMobile.

Television advertising and subscriber revenue increased by $2.0 million and $0.3 million, respectively, in the first nine months of fiscal 2010 reflecting continued growth in audience and the subscriber base with several broadcast distribution undertakings, compared to the first nine months of fiscal 2009. The digital media unit provided increased revenue of $1.0 million compared to the first nine months of fiscal 2009 primarily due to increased audiences on theScore.com and ScoreMobile which resulted in greater advertising revenue.

Production and other direct expenses were $12.7 million for the nine months ended May 31, 2010 compared to $13.0 million in the prior year, a decrease of $0.3 million. This decrease in production expenses resulted from efficiencies realized in the Company's efforts to produce multi-platform content which was partially offset by increased expenses in our digital media business unit.

Selling, general and administrative expenses were $9.3 million for the nine months ended May 31, 2010 compared to $9.5 million in the prior year, a decrease of $0.2 million. This decrease was primarily due to the reversal of the Company's $0.8 million accrual for CRTC Part II fees related to the 2007, 2008, and 2009 fiscal years which was partially offset by increased stock based and other compensation costs, including sales commissions, resulting from significant revenue growth achieved in the comparative periods and increased professional fees.

Program rights expenses were $5.1 million during the nine months ended May 31, 2010, an increase of $0.7 million compared to $4.4 million in the prior year. The increase reflects increased fees associated with NBA, NCAA, and MMA rights compared to the prior year.

EBITDA was $6.2 million for the nine months ended May 31, 2010, an increase of $3.1 million compared to $3.1 million in same period of the prior year. The increase resulted from higher revenue of $3.3 million offset by increased operating expenses of $0.2 million, as described above.

Interest expense, *net* was $0.4 million for the nine months ended May 31, 2010, an increase of $0.1 million period compared to $0.3 million in the same period in the prior year. Increased interest resulted from higher borrowing by the Company primarily related to the $6.9 million Issuer Bid completed in April 2009.

Depreciation and amortization expense decreased $0.2 million in the nine months ended May 31, 2010 to $3.2 million compared to $3.4 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 nine months ended May 31, 2010 was $1.4 million or $0.02 per share based on a diluted weighted average 81.4 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to a net loss of $0.8 million or $0.01 per share based on a diluted weighted average 96.0 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

During the nine months ended May 31, 2010, net income included income tax expense of $1.2 million compared to $0.1 million in the same period in the prior year, an increase of $1.1 million. In November 2009, a provincial corporate tax rate reduction was substantively enacted by the Government of Ontario. 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 $0.3 million for the nine months ended May 31, 2010.

Liquidity and Capital Resources

Cash flows provided by operations for the three and nine months ended May 31, 2010 were $1.5 million and $3.4 million compared to $0.8 million and $3.7 million in the prior year. The increase of $0.7 million for the three months ended May 31, 2010 reflects increased net income, as well as increases in accounts payable and accrued liabilities which fluctuates seasonally based on the timing of the professional sports seasons. The decrease of $0.3 million for the nine months ended May 31, 2010 primarily reflects increases in accounts receivable, resulting from revenue growth achieved during the comparative periods, which was partially offset by increases in net income and future income tax expense.

Cash flows used by financing activities for the three months ended May 31, 2010 were $1.0 million compared to $0.4 million in the prior year. The increase of $0.6 million primarily reflects reduced draws from the credit facility. In the third quarter of fiscal 2009 funds were drawn in connection with the Company's $6.9 million Issuer Bid. Cash flows used by financing activities for the nine months ended May 31, 2010 were $0.7 million compared to cash flows provided of $1.4 million in the prior year. The variance of $2.1 million reflects lower levels of cash drawn from the credit facility subsequent to the completion of the HD studio, streetfront exterior and Issuer Bid in fiscal 2009.

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 to August 15, 2011 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.

For the nine months ended May 31, 2010 the Company reduced the amount due on its credit facility by $0.7 million. The credit facility is drawn at $10.7 million through a combination of its line of credit and bankers' acceptance notes as of May 31, 2010. 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 and nine months ended May 31, 2010 were $0.7 million and $2.5 million compared to $0.4 million and $5.2 million in the prior year, representing an increase of $0.3 million and a decrease of $2.7 million, respectively. For fiscal 2010, with the completion of the HD studio, street-front exterior and Issuer Bid in the prior year, the Company anticipates reduced cash flows used for 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 trade related items and thus believes that there are no significant price, credit, foreign currency 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 variable to fixed rate swap as an effective cash flow hedge against the designated BA based borrowings under the credit facility.

As of May 31, 2010, the fair value of the swap was a liability of $5 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 presented on the Consolidated Balance Sheets as at May 31, 2010 and August 31, 2009, and the commitments which are disclosed in the notes to these interim consolidated financial statements.

As at May 31, 2010, 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	683	2,171	2,010	1,901	1,193	-	7,958
Programming rights obligations	1,338	1,076	495	-	-	-	2,909
Long-term debt obligations	-	10,705	-	-	-	-	10,705
Total	2,021	13,952	2,505	1,901	1,193	-	21,572

Related Party Transaction

The Company entered into a lease in May 2007 with a term of 5 years for a property partially owned by a director and officer of the Company. The aggregate rent paid during the three and nine months ended May 31, 2010 amounted to $8,000 and $27,000 (three and nine months ended May 31, 2009 - $8,000 and $26,000).

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 and nine months ended May 31, 2010 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. A preliminary assessment of the accounting and reporting differences under IFRS as compared to Canadian GAAP has been completed by the Company, however, management has not yet finalized its determination of the impact these differences will have on the consolidated financial statements.

As this assessment progresses, the Company intends to disclose such impacts in its future consolidated financial statements.

We have allocated sufficient resources to our conversion project, which include certain full-time employees in addition to contributions by other employees on a part-time or as-needed basis. We have provided for training to all employees with responsibilities in the conversion process. Other employees who will be influenced by our conversion to IFRS have been coached in relevant areas of impact as well. Training efforts have focused on updating those individuals whose roles and responsibilities are directly affected by IFRS implementation as well as providing general training to other employees involved in the process.

The Company has identified three phases to its conversion: planning and initial diagnostic, comprehensive analysis, and implementation. Our planning and initial diagnostic phase involved 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 was to prioritize 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 is 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 is presently focused on this phase and set out below are notable differences between IFRS and the Company's existing policies currently being evaluated based on our analysis to date.

Borrowing Costs

IAS 23, *Borrowing Costs* ("IAS 23"), requires capitalization of borrowing costs directly associated with the acquisition, construction or production of qualifying assets. Under Canadian GAAP, the Company elected the accounting policy choice to expense these costs as incurred. IFRS 1 permits application of the requirements of IAS 23 prospectively on the date of transition, September 1, 2010. We intend to apply this election and therefore do not expect to have an adjustment on our opening IFRS balance sheet.

Fixed Assets: Componentization

IAS 16, *Property, Plant and Equipment* ("IAS 16"), requires an entity to identify significant component parts within fixed assets and depreciate those parts over their respective useful lives. Canadian GAAP only requires componentization to the extent practicable. The Company is in the midst of performing a review of its fixed assets to identify whether any additional components are required to be recognized on transition to IFRS. Any adjustment that may be required will result in an increase or decrease to accumulated amortization related to the new component with a corresponding offset in opening retained earnings as of the date of transition.

Impairment of Assets

International Accounting Standard 36, *Impairment of Assets* ("IAS 36"), uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value-in-use. Canadian GAAP uses a two-step approach to impairment testing: comparing asset carrying values with undiscounted future cash flows to determine if any impairment is present; and, if impairment is deemed to exist the Company then measures impairment by comparing asset carrying values with their respective fair values. The difference in methodologies may potentially result in additional asset impairments upon transition to IFRS.

The Company will conduct impairment testing using IFRS guidance in fiscal 2011 based on the requirement to perform an impairment test as of the date of transition.

Share-Based Payments

IFRS 2, *Share-Based Payments* ("IFRS 2"), requires that stock-based compensation expense is recognized based on the number of stock options that eventually vest. This is consistent with Canadian GAAP, however IFRS 2 requires an initial estimate of expected forfeitures at the date of grant while currently the Company is permitted to record the impact of forfeitures as they occur. The Company is currently quantifying the impact this policy change will have. Any difference identified will be adjusted through opening retrained earnings on transition.

Provisions for Onerous Contracts

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), requires an entity to recognize a provision when a contract becomes onerous. A situation may arise in which a contract's unavoidable costs of meeting its obligations exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. For accounting purposes, the present obligation under an onerous contract shall be recognized and measured as a provision. We are currently reviewing all significant contracts to determine whether any may be onerous on the date of transition.

First-Time Adoption of International Financial Reporting Standards

Our adoption of IFRS will require the application of IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1"). This section articulates specific methodology relevant for an entity's initial adoption of IFRS. IFRS 1 suggests an organization apply all IFRS on a retrospective basis effective the end of its first IFRS reporting period. Some exemptions in specified areas of certain standards exist from this general requirement. The Company is currently evaluating which optional exemptions will be applied on the transition date.

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 IFRS financial statements during the year leading up to the first IFRS reporting period. The Company anticipates completion of this phase in fiscal 2011.

In the period leading up to the changeover, the Canadian Accounting Standards Board ("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 may 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 nine months 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 and nine months ended May 31, 2010, including the Notes thereto.

Score Media Inc.

Consolidated Balance Sheets
(in thousands of dollars)
(unaudited)

	May 31, 2010	August 31, 2009 (restated, note 2)
Assets		
Current assets:		
Cash and cash equivalents	$ 545	$ 276
Accounts receivable	10,221	6,875
Prepaid expenses and deposits	264	616
Future tax assets	648	663
	11,678	8,430
Fixed assets (note 3)	15,843	17,174
Intangible assets (note 4)	2,264	1,735
Future tax assets	5,836	7,011
	$ 35,621	$ 34,350
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	5,195	5,132
Revolving credit facility (note 5)	10,705	11,449
Shareholders' equity (note 6)	19,721	17,769
	$ 35,621	$ 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		Nine months ended	
	May 31, 2010	May 31, 2009 (restated, note 2)	May 31, 2010	May 31, 2009 (restated, note 2)
Revenue	$ 11,986	$ 10,816	$ 33,315	$ 29,976
Production and other direct expenses	4,449	4,300	12,671	12,992
Selling, general and administration	3,291	2,976	9,335	9,520
Program rights	2,330	1,886	5,132	4,387
	10,070	9,162	27,138	26,899
Income before undernoted	1,916	1,654	6,177	3,077
Interest expense, net	146	138	449	261
Gain on sale of investment	(18)	-	(18)	-
Loss on disposal of fixed assets	-	39	-	39
Depreciation and amortization	1,115	1,145	3,164	3,386
Income (loss) before income taxes	673	332	2,582	(609)
Future income tax expense (note 8)	105	320	1,189	149
Net income (loss) for the period	$ 568	$ 12	$ 1,393	$ (758)
Income (loss) per share - basic and diluted (note 7)	$ 0.01	$ 0.00	$ 0.02	$ (0.01)
Weighted average number of Class A Subordinate Voting and Special Voting Shares outstanding (note 7) Basic	81,231,236	91,282,248	81,227,176	96,009,200
Diluted	82,405,535	91,357,758	81,393,963	96,009,200

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				Accumulated other	Total
	Amount	Number of Shares	Amount	Number of Shares	Contributed surplus	Retained Earnings (Deficit)	comprehensive income (loss)	Shareholders' Equity
Nine months ended May 31, 2010								
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	-	-	-	-	460	-	-	460
Stock based compensation expense on exercised options	-	-	44	-	(44)	-	-	-
Net income for the period	-	-	-	-	-	1,393	-	1,393
Change in fair value of interest rate swap	-	-	-	-	-	-	23	23
Shares issued on exercise of stock options	-	-	76	141,663	-	-	-	76
Balances, May 31, 2010	**$ 17**	**5,566**	**$ 16,815**	**81,288,444**	**$ 2,747**	**$ 147**	**$ (5)**	**$ 19,721**
Nine months ended May 31, 2009								
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	-	-	-	-	198	-	-	198
Net loss for the period	-	-	-	-	-	(758)	-	(758)
Change in fair value of interest rate swap	-	-	-	-	-	-	(38)	(38)
Stock repurchase	-	-	(3,459)	(17,301,169)	(345)	(3,467)	-	(7,271)
Conversion of Special Voting Shares	(13)	(4,434)	13	4,434	-	-	-	-
Shares issued on exercise of stock options	-	-	13	31,667	-	-	-	13
Balances, May 31, 2009, as restated (note 2)	**$ 17**	**5,566**	**$ 16,695**	**81,146,781**	**$ 2,100**	**$ (519)**	**$ (38)**	**$ 18,255**

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		Nine months ended	
	May 31, 2010	May 31, 2009 (restated, note 2)	May 31, 2010	May 31, 2009 (restated, note 2)
Net income (loss) for the period	$ 568	$ 12	$ 1,393	$ (758)
Other comprehensive income (loss):				
Cash flow hedging derivative instruments:				
Change in fair value of interest rate swap (note 5)	$ 47	$ (38)	$ 23	$ (38)
Comprehensive income (loss) for the period	$ 615	$ (26)	$ 1,416	$ (796)

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		Nine months ended	
	May 31, 2010	May 31, 2009 (restated, note 2)	May 31, 2010	May 31, 2009 (restated, note 2)
Cash provided by (used in):				
Operations:				
Net income (loss) for the period	$ 568	$ 12	$ 1,393	$ (758)
Items not involving cash:				
Depreciation and amortization	1,115	1,145	3,164	3,386
Loss on disposal of fixed assets	-	39	-	39
Stock-based compensation expense	124	96	460	198
Future income tax expense	105	320	1,189	149
Change in non-cash operating working capital:				
Accounts receivable	(841)	(670)	(3,346)	(456)
Prepaid expenses and deposits	1,218	1,323	352	(160)
Accounts payable and accrued liabilities	(743)	(1,426)	205	1,283
	1,546	839	3,417	3,681
Financing:				
Draws from credit facility	10,146	19,413	29,502	40,444
Repayments to credit facility	(11,229)	(12,569)	(30,246)	(31,749)
Repurchase of Class A subordinate voting shares	-	(7,271)	-	(7,271)
Issuance of Class A subordinate voting shares	35	13	76	13
	(1,048)	(414)	(668)	1,437
Investing:				
Additions to fixed assets	(425)	(311)	(1,179)	(2,143)
Change in non-cash working capital related to fixed assets	191	136	(119)	(2,331)
Acquisition of intangible assets	(417)	(238)	(1,182)	(723)
	(651)	(413)	(2,480)	(5,197)
Increase (decrease) in cash and cash equivalents	(153)	12	269	(79)
Cash and cash equivalents, beginning of period	698	201	276	292
Cash and cash equivalents, end of period	$ 545	$ 213	$ 545	$ 213
Supplemental Cash Flow information				
Interest paid	$ 88	$ 88	$ 334	$ 207

See accompanying notes to unaudited interim consolidated financial statements

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 6.8 million homes across Canada. The Company's digital media assets include theScore.com, and the mobile sports smartphone apps ScoreMobile and ScoreMobile FC which are available on Blackberry, iPhone and Android. Score Media also operates Hardcore Sports Radio, a satellite radio network available across North America on Sirius Satellite Radio.

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

The unaudited interim consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary to present fairly the financial position of the Company as of May 31, 2010, and the results of operations and cash flows for the three and nine months ended May 31, 2010 and May 31, 2009.

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.

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 January 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. Commencing with the first quarter of fiscal 2012, the Company will provide unaudited consolidated interim 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 these differences will have on the consolidated financial statements. As this assessment is finalized, the Company intends to quantify such impacts as applicable in its future consolidated financial statements.

In the period leading up to the changeover, the AcSB may 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.

3. Fixed assets:

May 31, 2010	Cost	Accumulated depreciation	Net book value
Technical production equipment	$ 23,316	$ 13,834	$ 9,482
Computer equipment	2,679	1,482	1,197
Office equipment and furniture	1,258	606	652
Leasehold improvements	7,577	3,065	4,512
	$ 34,830	$ 18,987	$ 15,843

August 31, 2009 (restated, note 2)	Cost	Accumulated depreciation	Net book value
Technical production equipment	$ 23,028	$ 12,043	$ 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
	$ 33,649	$ 16,475	$ 17,174

Depreciation expense for the three and nine months ended May 31, 2010 amounted to $851 and $2,510 (three and nine months ended May 31, 2009 - $908 and 2,704), respectively.

4. Intangible assets:

	May 31, 2010	August 31, 2009 (restated, note 2)
Licence costs, less accumulated amortization of $270 (2009 - $240)	$ 18	$ 40
Trademarks, less accumulated amortization of $51 (2009 - $35)	155	103
Financing costs, less accumulated amortization of $223 (2009 - $155)	114	182
Computer software and interactive development less accumulated amortization of $2,997 (2009 - $2,456)	1,977	1,410
	$ 2,264	$ 1,735

Amortization expense for the three and nine months ended May 31, 2010 amounted to $264 and $654 (three and nine months ended May 31, 2009 - $237 and $682), respectively.

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 May 31, 2010, $10,705 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 May 31, 2010.

5. Revolving credit facility (cont'd):

The weighted average interest rate for the three and nine months ended May 31, 2010 was 5.2% and 5.4% (three and nine months ended May 31, 2009 – 4.2% and 5.0%), respectively.

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 May 31, 2010, the fair value of the swap was a liability of $5 which is recorded in accounts payable and accrued liabilities. Included in other comprehensive income for the nine month period ending May 31, 2010 is a gain of $23 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 gain 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

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	(141,663)	0.43 – 0.71	0.55
Outstanding options, May 31, 2010	5,656,837	$0.47 – 0.84	$0.56
Options exercisable, May 31, 2010			3,342,253
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 May 31, 2010, the weighted average remaining contractual life of the options exercisable and outstanding was 4.4 years and 6.0 years, respectively.

As at May 31, 2010, the weighted average exercise price of the options exercisable and outstanding was $0.59 and $0.56, respectively. The following summarizes information about the employee stock options at May 31, 2010:

6. Shareholders' Equity (cont'd):

Exercise price	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options exercisable
$0.47	1,568,334	9.4	243,334
0.48	693,333	9.1	659,583
0.54	1,000,000	0.1	1,000,000
0.55	111,000	0.4	111,000
0.56	1,476,669	7.4	538,336
0.71	17,501	3.1	0
0.82	500,000	3.1	500,000
0.84	290,000	1.4	290,000
$0.56	5,656,837	6.0	3,342,253

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

7. Basic and diluted income per share:

The estimated fair value of the options is amortized to expense over the vesting period. During the three and nine months ended May 31, 2010, the Company recorded stock-based compensation expense of $124 and $460 (three and nine months ended May 31, 2009 - $96 and $198), respectively.

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

	Three months ended May 31,		Nine months ended May 31,	
	2010	**2009**	**2010**	**2009**
Numerator:				
Net income (loss) available to shareholders	$ 568	$ 12	$ 1,393	$ (758)
Denominator (000's):				
Weighted average shares outstanding – basic	81,231	91,282	81,227	96,009
Effect of dilutive stock options	1,174	76	167	-
Weighted average shares outstanding – diluted	82,405	91,358	81,394	96,009
Income (loss) per share:				
Basic and diluted	$0.01	$0.00	$0.02	($0.01)

During the three and nine months ended May 31, 2010, options to purchase 790,000 and 807,501 (three and nine months ended May 31, 2009 – 2,632,917 and 3,858,917) 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.

8. Income taxes

During the nine months ended May 31, 2010, net income included future income tax expense of $1.2 million. In November 2009, a provincial corporate tax rate reduction was substantively enacted by the Government of Ontario. 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 and nine months ended May 31, 2010 amounted to $8 and $27 (three and nine months ended May 31, 2009 - $8 and $26).

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