

Consolidated Financial Statements  
(In Canadian dollars)

## **theScore, Inc.**

Years ended August 31, 2016 and 2015



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of theScore, Inc.

We have audited the accompanying consolidated financial statements of theScore, Inc., which comprise the consolidated statements of financial position as at August 31, 2016 and 2015, the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



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*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of theScore, Inc. as at August 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

October 19, 2016  
Toronto, Canada

**theScore, Inc.**

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	2016	2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (note 9)	\$ 15,554	\$ 31,841
Accounts receivable	5,326	3,376
Tax credits recoverable (note 7)	5,192	4,777
Prepaid expenses and deposits	1,008	842
	<u>27,080</u>	<u>40,836</u>
Non-current assets:		
Property and equipment (note 3)	2,141	2,123
Intangible assets (note 4)	5,807	7,361
Investment	760	760
Tax credits recoverable (note 7)	1,616	1,399
	<u>10,324</u>	<u>11,643</u>
Total assets	<u>\$ 37,404</u>	<u>\$ 52,479</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,180	\$ 4,583
Non-current liabilities:		
Deferred lease obligation	495	510
Shareholders' equity	31,729	47,386
Commitments (note 10)		
Total liabilities and shareholders' equity	<u>\$ 37,404</u>	<u>\$ 52,479</u>

See accompanying notes to consolidated financial statements

On behalf of the Board:

"John Levy" Director

"Mark A. Scholes" Director

**theScore, Inc.**

## Consolidated Statements of Comprehensive Loss

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

	2016	2015
Revenue (note 12)	\$ 23,916	\$ 12,359
Operating expenses:		
Personnel (note 7)	18,285	11,237
Content	2,559	1,401
Technology	2,124	2,058
Facilities, administrative and other	6,431	4,706
Marketing	5,792	2,787
Depreciation of property and equipment (note 3)	646	553
Amortization of intangible assets (note 4)	3,794	2,180
Stock based compensation (note 11)	1,119	838
Acquisition expenses (note 5)	-	397
	40,750	26,157
Operating loss	(16,834)	(13,798)
Finance income (loss)	(29)	329
Loss for the year	\$ (16,863)	\$ (13,469)
Loss per share - basic and diluted (note 13)	\$ (0.06)	\$ (0.05)

See accompanying notes to consolidated financial statements

**theScore, Inc.**

Consolidated Statements of Changes in Shareholders' Equity  
 Years ended August 31, 2016 and 2015  
 (in thousands of Canadian dollars, except per share amounts)

	Special Voting Shares		Class A Subordinate Voting Shares		Contributed Surplus	Warrants	Retained Deficit	Total Shareholders' Equity
	Number of Shares	Amount	Number of Shares	Amount				
Balance August 31, 2014	5,566	\$ 15	252,663,102	\$ 43,644	\$ 540	\$ -	\$ (9,951)	\$34,248
Loss for the year	-	-	-	-	-	-	(13,469)	(13,469)
Share-based compensation expense (note 11)	-	-	-	-	838	-	-	838
Shares issued on exercise of stock options	-	-	96	96	(32)	-	-	64
Shares issued on business combination (note 5)	-	-	839	839	-	-	-	839
Shares/Warrants issued on completion of public offering (note 14)	-	-	23,637	23,637	-	1,229	-	24,866
Balance August 31, 2015	5,566	\$ 15	294,807,771	\$ 68,216	\$ 1,346	\$ 1,229	\$ (23,420)	\$ 47,386
Balance August 31, 2015	5,566	\$ 15	294,807,771	\$ 68,216	\$ 1,346	\$ 1,229	\$ (23,420)	\$47,386
Loss for the year	-	-	-	-	-	-	(16,863)	(16,863)
Share-based compensation expense (note 11)	-	-	-	-	1,119	-	-	1,119
Shares issued on exercise of stock options	-	-	133	133	(46)	-	-	87
Balance August 31, 2016	5,566	\$ 15	295,362,784	\$ 68,349	\$ 2,419	\$ 1,229	\$ (40,283)	\$ 31,729

See accompanying notes to consolidated financial statements

**theScore, Inc.**Consolidated Statements of Cash Flows  
(in thousands of Canadian dollars)

	2016	2015
Cash flows from operating activities		
Loss for the year	\$ (16,863)	\$ (13,469)
Adjustments for:		
Depreciation and amortization	4,440	2,733
Share-based compensation (note 11)	1,119	838
Acquisition costs	-	397
	<u>(11,304)</u>	<u>(9,501)</u>
Change in non-cash operating assets and liabilities:		
Accounts receivable	(1,950)	(1,861)
Tax credits recoverable	(296)	464
Prepaid expenses and deposits	(166)	(283)
Accounts payable and accrued liabilities	597	1,179
Deferred lease obligation	(15)	(3)
	<u>(1,830)</u>	<u>(504)</u>
Net cash used in operating activities	<u>(13,134)</u>	<u>(10,005)</u>
Cash flows from financing activities		
Exercise of stock options	87	64
Issuance of shares and warrants, net of transaction costs (note 14)	-	24,866
Net cash from financing activities	<u>87</u>	<u>24,930</u>
Cash flows from investing activities		
Additions of property and equipment (note 3)	(664)	(503)
Additions of intangible assets (note 4)	(2,576)	(2,888)
Acquisition costs (note 5)	-	(397)
Business combination (note 5)	-	(659)
Net cash used in investing activities	<u>(3,240)</u>	<u>(4,447)</u>
Increase (decrease) in cash and cash equivalents	(16,287)	10,478
Cash and cash equivalents, beginning of year	31,841	21,363
Cash and cash equivalents, end of year	<u>\$ 15,554</u>	<u>\$ 31,841</u>

Additions of intangible assets are net of tax credits recoverable of \$336 and \$741 in 2016 and 2015, respectively.

For supplemental non-cash flow information, refer to note 5

See accompanying notes to consolidated financial statements

# theScore, Inc.

Notes to Consolidated Financial Statements  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 1. Nature of operations:

### (a) Business:

theScore, Inc. ("theScore" or the "Company") is an independent creator of mobile-first sports experiences, connecting fans to a combination of comprehensive and personalized real-time news, scores, stats, alerts and fantasy sports contests via its mobile sports platforms theScore, theScore esports, and Squad Up. theScore is currently headquartered at 500 King Street West, 4th floor, Toronto, Ontario, M5V 1L9. Class A Subordinate Voting shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol SCR.TO and warrants are traded under the symbol SCR.WT. The Company is organized and operates as one operating segment for the purpose of making operating decisions and assessing performance.

### (b) Basis of presentation and statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements are presented in Canadian dollars, which is theScore's functional currency.

These consolidated financial statements were approved by the Board of Directors of theScore on October 19, 2016.



# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies:

### (a) Basis of measurement:

The consolidated financial statements have been primarily prepared using the historical cost basis.

### (b) Principles of consolidation:

#### (i) Subsidiaries:

Subsidiaries are entities controlled by theScore. theScore controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. theScore has three wholly-owned subsidiaries that are material subsidiaries through which theScore owns its assets and operates its business, being Score Media Ventures Inc., ScoreMobile Inc., and Score Fantasy Sports Ltd.

#### (ii) Intercompany transactions:

All intercompany balances and transactions with subsidiaries, and any unrealized revenue and expenses arising from intercompany transactions are eliminated in preparing these consolidated financial statements.

### (c) Property and equipment:

#### (i) Recognition and measurement:

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenses that are directly attributable to the acquisition of the asset. When parts of an item of equipment have different useful lives, they are accounted for as separate components of equipment and depreciated accordingly. The carrying amount of any replaced component or a component no longer in use is derecognized.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

### (ii) Subsequent costs:

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item of property and equipment will flow to theScore and the costs of the item can be reliably measured. All other expenses are charged to operating expenses as incurred.

### (iii) Depreciation:

Depreciation is based on the cost of an asset less its estimated residual value. Depreciation is charged to income or loss over the estimated useful life of an asset. Depreciation is provided on a declining-balance basis using the following annual rates:

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Computer equipment	30%
Office equipment	20%
Leasehold improvements	Shorter of asset's useful life and the term of lease

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Depreciation methods, rates and residual values are reviewed annually and revised if the current method, estimated useful life or residual value is different from that estimated previously. The effect of such changes is recognized on a prospective basis in the consolidated financial statements.

### (d) Business combinations:

The Company accounts for business combinations using the acquisition method when control is transferred to theScore. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in income or loss immediately. The Company expenses the transaction costs associated with the acquisition as incurred.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

### (e) Intangible assets:

Intangible assets with finite useful lives are amortized over their expected useful lives and are tested for impairment, as described in note 2(f). Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually and revised if the current method, estimated useful life, or residual value is different from that estimated previously. The effects of such changes are recognized on a prospective basis in the consolidated financial statements.

Trademarks are amortized on a straight-line basis over an expected useful life of 10 years.

Computer software is typically amortized on a 100% declining-balance basis.

Product development costs primarily consist of internal labour costs incurred by theScore in developing its products, and also include, from time to time, external contractor costs incurred. Development costs, which by definition represent costs for the production of new or substantially improved products, are capitalized from the time the project first meets both the general recognition requirements for an intangible asset in International Accounting Standard ("IAS") 38, Intangible Assets ("IAS 38") and the more specific criteria in IAS 38 for the recognition of an internally developed intangible asset arising from development. Capitalization ceases when the product is available for use, or when the project no longer meets the recognition criteria.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

Product development costs are only capitalized if the general recognition requirements in IAS 38 are met, which include whether the item meets the definition of an intangible asset and that it is probable that expected future economic benefits will flow to the Company and that the cost of the asset can be measured reliably. To meet the definition criteria, one of the factors the Company assesses is whether the item is capable of being separated or divided from the Company. Expenditures that are considered to relate to development of the business as a whole are not capitalized as intangible assets and are expensed when incurred. Costs such as enhancements and routine maintenance are expensed when incurred.

Product development costs are also only capitalized if the Company can demonstrate all of the following:

- the technological feasibility of the project;
- the intention to complete the project and use or sell it;
- the availability of adequate resources to complete the project;
- the ability to sell or use the intangible asset created;
- the ability to reliably measure the expenditure attributable to the asset during the development phase; and
- how the intangible asset will generate probable future economic benefits.

If the projects being reviewed do not meet the criteria for capitalization, the related costs are expensed when incurred. See note 2(r) for a discussion of estimates and judgments.

Product development costs are amortized on a 30% declining-balance basis commencing when they are available for use and form part of the revenue-producing activities of theScore. Research, maintenance, improvements, promotional and advertising expenses associated with theScore's products are expensed as incurred.

Acquired technology and related customer relationship intangibles represent additional products and the customers of those products that were previously acquired from a third party. Acquired technology and customer relationships are generally amortized on a 30% declining-balance basis.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

### (f) Impairment:

#### (i) Impairment of non-financial assets:

The carrying values of non-financial assets with finite useful lives, such as property and equipment and intangible assets, are assessed for impairment at the end of each reporting date for indication of impairment or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount of the asset must be determined. Such assets are impaired if their recoverable amount is lower than their carrying amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash generating unit ("CGU") to which the asset belongs is tested for impairment. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount is the greater of an asset's fair value less costs to sell or its value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The resulting impairment loss is recognized in income or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset or CGU in prior years.

#### (ii) Impairment of financial assets, including receivables:

A financial asset not carried at fair value through income or loss is evaluated at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, or indications that a debtor will enter bankruptcy.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

theScore considers evidence of impairment for receivables at a specific asset level, being each individually significant receivable account. Losses are recognized in income or loss and reflected in an allowance account included as part of the carrying amount of accounts receivable.

### (g) Revenue recognition:

theScore recognizes revenue once services have been rendered, fees are fixed and determinable, and collectability is reasonably assured. theScore's principal sources of revenue are from advertising on its digital media properties. Revenue has been recognized as follows:

- (i) Advertising revenue is recorded at the time advertisements are displayed on theScore's digital media properties. Funds received from advertising customers before advertisements are displayed are recorded as deferred revenue.
- (ii) Software licensing fees are recorded over the effective period of the software licensing arrangement. Funds received from software licensees in advance of the effective licensing period are recorded as deferred revenue. The contract related to the licensing revenue for the development of mobile applications ended on May 4, 2015.

### (h) Financial instruments:

#### (i) Recognition:

theScore initially recognizes loans and receivables on the date they originate. All other financial assets and financial liabilities are initially recognized on the trade date at which theScore becomes a party to the contractual provision of the instrument. Financial assets expire when the rights to receive cash flows have expired or were transferred and theScore has transferred substantially all risks and rewards of ownership. theScore ceases to recognize a financial liability when its contractual obligations are discharged, cancelled or expired.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

### (ii) Classification and measurement:

#### (a) Non-derivative financial assets:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise accounts receivable.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified within loans and receivables or financial assets at fair value through profit or loss. Subsequent to initial recognition, the investment is measured at fair value and changes therein, other than impairment losses which are recognized in profit or loss, are recognized in other comprehensive income or loss and presented within equity as a fair value reserve. When an investment is sold, the cumulative gain or loss in other comprehensive income or loss is transferred to profit or loss for the year.

theScore had no held-to-maturity financial assets during the years ended August 31, 2016 and 2015.

#### (b) Non-derivative financial liabilities:

Accounts payable and accrued liabilities are classified as non-derivative financial liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

### (iii) Derivative financial instruments:

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value, with changes in fair value recorded in the consolidated statements of comprehensive loss. theScore assesses whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when theScore first becomes a party to the contract. theScore did not hold any derivative financial instruments as at August 31, 2016 and 2015.

### (i) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under employee short-term incentive compensation plans if there is legal or constructive obligation to pay this amount at the time and the obligation can be estimated reliably.

### (j) Share-based payment transactions:

Certain members of theScore's personnel participate in share-based compensation plans (note 11). The share-based compensation costs are expensed by theScore under operating expenses in profit or loss. The grant date fair value of share-based payment awards granted to theScore's employees is recognized as a compensation cost, with a corresponding increase in contributed surplus within shareholders' equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as compensation cost is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as compensation cost is based on the number of awards that vest.

### (k) Provisions:

Provisions are recognized when a present obligation as a result of a past event will lead to a probable outflow of economic resources from theScore and the amount of that outflow can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events, for example, legal disputes or onerous contracts.



# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. theScore has no material provisions as at August 31, 2016 and 2015.

### (l) Operating leases:

The aggregate cost of operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

### (m) Foreign currency transactions:

Transactions in foreign currencies are translated to the functional currency of theScore's entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency of theScore at the reporting date. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are not re-translated.

Foreign currency gains and losses are recognized in finance income and reported on a net basis.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

### (n) Income taxes:

Deferred tax assets are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and their respective tax bases. A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which the related temporary differences are expected to be recovered or settled.

### (o) Refundable tax credits:

Refundable tax credits related to digital media development products are recognized in profit or loss when there is reasonable assurance that they will be received and theScore has and will comply with the conditions associated with the relevant government program. These investment tax credits are recorded and presented as either a deduction to the carrying amount of the asset and subsequently recognized over the useful life of the related asset or recognized directly to profit or loss based on the accounting of the initial costs incurred to which the tax credits were applied. When collection of the tax credits is not expected within 12 months of the end of the reporting year, then such amounts are classified as non-current assets.

### (p) Finance income and finance costs:

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

### (q) Segment information:

The Company is organized and operates as one operating segment for purposes of making operating decisions and assessing performance. The chief operating decision-makers, being the Chairman and Chief Executive Officer and the President and Chief Operating Officer, evaluate performance and make decisions about resources to be allocated based on financial data consistent with the presentation in these consolidated financial statements.

Virtually all of the Company's assets are located in Canada and most of the Company's expenses are incurred in Canada.

### (r) Use of estimates and judgments:

The preparation of these consolidated financial statements requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates. Key areas of estimation and judgment are as follows:

#### (i) Intangible assets:

Management's judgment is applied, and estimates are used, in determining whether costs qualify for recognition as internally developed intangible assets.

To be able to recognize an intangible asset, management must demonstrate the item meets the definition of an intangible asset in IAS 38. Management exercises significant judgment in determining whether an item meets the identifiability criteria in the definition of an intangible asset which, in part, requires that the item is capable of being separated or divided from the Company and sold, transferred or licensed either individually or together with a related contract or asset, whether or not the Company intends to do so. Judgment is required to distinguish those expenditures that develop the business as a whole, which cannot be capitalized as intangible assets and are expensed in the period incurred.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

Also, to recognize an intangible asset, management, in its judgment, must demonstrate that it is probable that expected future economic benefits will flow to the Company and that the cost of the asset can be measured reliably. Estimates are used to determine the probability of expected future economic benefits that will flow to the Company. Future economic benefits include net cash flows from future advertising sales, which are dependent upon the ability of the Company to attract users to its products and increase user engagement with its products, and may also include anticipated cost savings, depending upon the nature of the development project.

The Company capitalized internal product development costs during the years ended August 31, 2016 and 2015 for both new development projects and projects that, in management's judgment, represent substantial improvements to existing products. In assessing whether costs can be capitalized for improvements, management exercises significant judgment when considering the extent of the improvement and whether it is substantial, whether it is sufficiently separable and whether expected future economic benefits are derived from the improvement itself. Factors considered in assessing the extent of the improvement include, but are not limited to, the degree of change in functionality and the impact of the project on the ability of the Company to attract users to its products and increase user engagement with its products. Costs which do not meet these criteria, such as enhancements and routine maintenance, are expensed when incurred.

In addition, the Company uses estimation in determining the measurement of internal labour costs capitalized to intangible assets. The capitalization estimates are based upon the nature of the activities the developer performs.

Management's judgment is also used in determining appropriate amortization methods for intangible assets, and estimates are used in determining the expected useful lives of amortizable intangible assets.

### (ii) Tax credits:

Refundable tax credits related to expenditures to develop digital media products are recognized when there is reasonable assurance that they will be received and theScore has and will comply with the conditions associated with the relevant government program. Management's judgment is required in determining which expenditures and projects are reasonably assured of compliance with the relevant conditions and criteria and have, accordingly, met the recognition criteria.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

### (iii) Impairment of non-financial assets:

An impairment test is carried out whenever events or changes in circumstances indicate that carrying amounts may not be recoverable and is performed by comparing the carrying amount of an asset or CGU and its recoverable amount. Management's judgment is required in determining whether an impairment indicator exists. The recoverable amount is the higher of fair value, less costs to sell, and its value in use over its remaining useful life.

This valuation process involves the use of methods which use assumptions to estimate future cash flows. The recoverable amount depends significantly on the discount rate used, as well as the expected future cash flows and the terminal growth rate used for extrapolation.

### (iv) Fair value allocations recorded as a result of business combinations:

The determination of fair values to the net identifiable assets acquired in business combinations often requires management to make assumptions and estimates about future events.

The Company uses estimates and judgments to determine the fair values of assets acquired using the best available information, including information from financial markets. The estimates and judgments include key assumptions such as discount rates, growth and attrition rates, and terminal growth rates for performing discounted cash flow analyses. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amount assigned to assets and liabilities in the purchase price allocation (note 5).

### (v) Allowance for doubtful accounts:

The valuation of accounts receivable requires valuation estimates to be made by management. These accounts receivable comprise a large and diverse base of advertisers dispersed across varying industries and locations that purchase advertising on theScore's digital media platforms.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

theScore determines an allowance for doubtful accounts based on knowledge of the financial conditions of its customers, the aging of the receivables, customer and industry concentrations, the current business environment and historical experience. A change in any of the factors impacting the estimate of the allowance for doubtful accounts will directly impact the amount of bad debt expense recorded in facilities, administrative and other expenses.

### (s) New standards and amendments not yet effective

#### (i) IAS 1, Presentation of Financial Statements ("IAS 1"):

In December 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. The amendments relate to materiality, order of the notes, subtotals, accounting policies, and disaggregation. The amendments are to be applied prospectively and are effective for periods beginning on or after January 1, 2016. The Company does not expect the amendments to have a material impact on its financial statements.

#### (ii) IFRS 9, Financial Instruments ("IFRS 9"):

In July 2014, the IASB issued the final publication of the IFRS 9 standard, which will supersede IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new hedge accounting guidance. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company intends to adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on September 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

### (iii) Annual improvements to IFRS:

On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvement process. The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier application is permitted, in which case, the related consequential amendments to other IFRS would also apply. The extent of the impact of adoption of the amendments has not yet been determined.

### (iv) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

In May 2014, the IASB issued IFRS 15, which supersedes existing standards and interpretations including IAS 18, Revenue, and IFRIC 13, Customer Loyalty Programmes. IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRS. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfilment costs.

The standard is effective for annual periods beginning on or after January 1, 2018. The Company is assessing the impact of this standard on the consolidated financial statements.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 2. Significant accounting policies (continued):

### (v) IFRS 16, Leases ("IFRS 16"):

In January 2016, the IASB issued the final publication of the IFRS 16 standard, which will supersede the current IAS 17, Leases ("IAS 17") standard. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17.

The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted, but only if the entity is also applying IFRS 15. The Company has the option to either apply IFRS 16 with full retrospective effect or recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

The Company is assessing the impact of this standard on the consolidated financial statements.



# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

### 3. Property and equipment:

	Computer equipment	Leasehold improvements	Office equipment	Total
<b>Cost</b>				
Balance, August 31, 2014	\$ 1,052	\$ 1,609	\$ 700	\$ 3,361
Additions	414	93	14	521
Balance, August 31, 2015	1,466	1,702	714	3,882
Additions	250	262	152	664
Balance, August 31, 2016	\$ 1,716	\$ 1,964	\$ 866	\$ 4,546
<b>Accumulated depreciation</b>				
Balance, August 31, 2014	\$ 632	\$ 355	\$ 219	\$ 1,206
Depreciation	184	272	97	553
Balance, August 31, 2015	816	627	316	1,759
Depreciation	247	299	100	646
Balance, August 31, 2016	\$ 1,063	\$ 926	\$ 416	\$ 2,405
<b>Carrying amounts</b>				
Balance, August 31, 2014	\$ 420	\$ 1,254	\$ 481	\$ 2,155
Balance, August 31, 2015	\$ 650	\$ 1,075	\$ 398	\$ 2,123
Balance, August 31, 2016	\$ 653	\$ 1,038	\$ 450	\$ 2,141

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

## 4. Intangible assets

	Product development	Trademarks & domain names	Computer software	Acquired Technology	Acquired customer relationships	Total
<b>Cost</b>						
Balance, August 31, 2014	\$ 11,242	\$ 170	\$ 1,143	\$ 239	\$ 485	\$ 13,279
Additions, net of tax credits	2,599	-	-	-	-	2,599
Additions- other	-	188	6	1,789	-	1,983
Balance, August 31, 2015	\$ 13,841	\$ 358	\$ 1,149	\$ 2,028	\$ 485	\$ 17,861
Additions, net of tax credits	2,216	-	-	-	-	2,216
Additions- other	-	-	24	-	-	24
Balance, August 31, 2016	\$ 16,057	\$ 358	\$ 1,173	\$ 2,028	\$ 485	\$ 20,101
<b>Accumulated amortization</b>						
Balance, August 31, 2014	\$ 6,570	\$ 48	\$ 1,128	\$ 239	\$ 335	\$ 8,320
Amortization	1,624	28	16	362	150	2,180
Balance, August 31, 2015	\$ 8,194	\$ 76	\$ 1,144	\$ 601	\$ 485	\$ 10,500
Amortization	2,308	40	19	1,427	-	3,794
Balance, August 31, 2016	\$ 10,502	\$ 116	\$ 1,163	\$ 2,028	\$ 485	\$ 14,294
<b>Carrying amounts</b>						
Balance, August 31, 2014	\$ 4,672	\$ 122	\$ 15	\$ -	\$ 150	\$ 4,959
Balance, August 31, 2015	\$ 5,647	\$ 282	\$ 5	\$ 1,427	\$ -	\$ 7,361
Balance, August 31, 2016	\$ 5,555	\$ 242	\$ 10	\$ -	\$ -	\$ 5,807

During the year ended August 31, 2016, the Company capitalized internal product development costs of approximately \$2,552 (2015 - \$3,435) which was offset by tax credits recoverable of \$336 (2015 - \$836).

Significant development projects undertaken in fiscal 2016 included the development of Squad Up, the development of significant new features for theScore esports – personalization and localization, the development of messenger bots, and additional sports sections for theScore application. The significant development projects in fiscal 2015 included the creation of user accounts and user onboarding, the creation of data visualizations for NHL and international soccer, the creation of a new website and mobile apps covering eSports, and the creation of a new website and mobile apps related to fantasy sports.

During the year ended August 31, 2016, the Company accelerated the amortization of, and fully amortized, the acquired technology for Swoopt (note 5) due to the development of the Company's new fantasy sports application.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

## 5. Business combination:

During the year ended August 31, 2015, theScore entered into an asset purchase agreement with ApptheGame, Inc. ("ApptheGame") pursuant to which a subsidiary of theScore purchased substantially all of the assets of ApptheGame. ApptheGame owned and operated Swoopt, a daily fantasy sports mobile game. Swoopt offered a range of daily fantasy sports contests for professional baseball, hockey, football, basketball and college football.

Aggregate acquisition consideration recorded at fair value totaled \$1,789 and was made up of \$659 (U.S. \$567) of cash paid on closing, 2,208,333 Class A Subordinate Voting shares of theScore issued on closing, with a value of \$0.38 per share for a total value of \$839, and up to \$291 (U.S. \$250) contingently payable by March 18, 2016, recorded on the acquisition date at an estimated fair value of \$291. During the year ended August 31, 2016, an amount of \$183 was deducted from the contingency payable balance for legal fees paid by the Company associated with a patent dispute inherited from ApptheGame, resulting in an actual consideration amount owing of \$108. This balance was paid in full as at August 31, 2016.

The table below summarizes the final fair values of the assets acquired and liabilities assumed:

Fair value of consideration transferred or to be transferred	\$ 1,789
Accounts receivable	\$ 44
Property and equipment	18
Intangible assets	1,789
Other current liabilities	(62)
Fair value of identifiable assets acquired and liabilities assumed	\$ 1,789
Acquisition transaction costs	\$ 397

The intangible asset is comprised of the acquired technology, and was fully amortized as at August 31, 2016.

Revenue and loss for the year ended August 31, 2015 would not have been materially different had the acquisition occurred at the beginning of the 2015 fiscal year. In addition, the revenue and loss for the acquired business was not material to the results for the year ended August 31, 2015.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 6. Related party transactions:

### (a) Lease agreement:

In fiscal 2013, theScore entered into a lease for a property partially owned by the Chairman and Chief Executive Officer of the Company. The aggregate rent paid during the years ended August 31, 2016 and 2015 amounted to \$42 and \$30, respectively. The corresponding payable balances as at August 31, 2016 and 2015 were nil. These transactions are recorded at the exchange amount, being the amount agreed upon between the parties.

### (b) Transactions with key management personnel:

Key management personnel of theScore include directors and other senior executives. Total compensation costs for these key management personnel are as follows:

	2016	2015
Salaries and non-equity incentive compensation	\$ 1,987	\$ 1,782
Share-based and other compensation	519	466
<b>Total</b>	<b>\$ 2,506</b>	<b>\$ 2,248</b>

## 7. Tax credits:

On April 23, 2015, the Government of Ontario tabled the 2015 Ontario budget. As part of the budget, the Government of Ontario proposed certain amendments to the eligibility rules for the OIDMTC. As a result of these proposed amendments, projects that theScore had previously been accruing credits for may no longer be eligible. Therefore, theScore stopped accruing for credits in respect of these projects for related expenditures incurred after April 23, 2015. theScore believes the tax credits recoverable of \$6,808 accrued for expenditures incurred up until April 23, 2015 will continue to be collectible.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 7. Tax credits (continued):

During the year ended August 31, 2015, theScore accrued \$1,399 of tax credits recoverable for eligible expenditures incurred up until April 23, 2015. An amount of \$752 of the accrual was recorded as a reduction of related personnel expenses in the consolidated statements of comprehensive loss for the year ended August 31, 2015 while \$647 of the accrual was recorded as a reduction of related internal development costs capitalized as intangible assets. In the same period, the Company also trued up its existing accrual by \$293, for additional tax credits related to prior period expenditures that were deemed eligible during the year, resulting in a reduction to personnel costs of \$104, and intangible assets of \$189.

During the year ended August 31, 2016, no tax credits were accrued in relation to current period expenditures. This year the Company received a certificate of eligibility from the Ontario Media Development Corporation ("OMDC"), related to tax credits claimed for expenditures incurred in fiscal 2012, 2013 and 2014. As a result, an additional \$631 was accrued to revise the existing accrual to the amount deemed eligible per the certificate of eligibility. \$295 of the accrual was recorded as a reduction of personnel expenses while \$336 was recorded as a reduction of related internal development costs capitalized as intangible assets.

## 8. Capital risk management:

theScore's objectives in managing capital are to maintain its liquidity to fund future development and growth of the business. The capital structure consists of shareholders' equity and cash.

theScore manages and adjusts the capital structure in consideration of changes in economic conditions and the risk characteristics of the underlying assets. theScore is not subject to any externally imposed capital requirements.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 9. Financial risk management:

theScore has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. This note presents information about theScore's exposure to each of these risks and theScore's objectives, policies and processes for measuring and managing these risks.

### (a) Credit risk:

Credit risk is the risk of financial loss to theScore if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from theScore's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure. theScore's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

theScore establishes an allowance for doubtful accounts that represents its estimate of potential credit losses in respect of accounts receivable but historically has not experienced any significant losses related to individual customers or groups of customers in any particular industry or geographical area. This allowance consists of a specific provision that relates to individually significant exposures. As at August 31, 2016 and 2015, theScore had an allowance for doubtful accounts of \$10 and \$10, respectively.

At August 31, 2016 and 2015, \$246 and \$405, respectively, of accounts receivable were considered past due, which is defined as amounts outstanding beyond normal credit terms and conditions for respective customers that can extend up to 150 days from the date of initial date of invoicing. theScore believes that its allowance for doubtful accounts sufficiently reflected the related credit risk based on the nature of theScore's customers and consideration of past performance.

theScore has customer concentration risk as one customer represented 22% (2015 - two customers - 12% each) of revenue for the year ended August 31, 2016, and two customers represented 11% and 10% (2015 - two customers - 12% each), of the accounts receivable balance as at August 31, 2016.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 9. Financial risk management (continued):

### (b) Liquidity risk:

Liquidity risk is the risk that theScore will not be able to meet its financial obligations as they fall due. As at August 31, 2016, theScore had cash and cash equivalents of \$15,554 (2015 - \$31,841), accounts receivable of \$5,325 (2015 - \$3,376), current tax credits recoverable of \$5,192 (2015 - \$4,777), non-current tax credits recoverable of \$1,616 (2015 - \$1,399) and accounts payable and accrued liabilities to third parties of \$5,180 (2015 - \$4,583). Accounts payable and accrued liabilities have contracted maturities of less than three months.

Management prepares budgets and cash flow forecasts to assist in managing liquidity risk. theScore has a history of operating losses, and can be expected to generate continued operating losses and negative cash flows in the future while it carries out its current business plan to further develop and expand its digital media business. While theScore can utilize its cash and cash equivalents to fund its operating and development expenditures, it does not have access to committed credit facilities or other committed sources of funding, and depending upon the level of expenditures and whether profitable operations can be achieved, may be required to seek additional funding in the future.

### (c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect theScore's income or the value of its holdings of financial instruments.

The Company does not engage in risk management practices, such as hedging or use of derivative instruments.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 9. Financial risk management (continued):

theScore's head office is located in Canada. Some of theScore's customers and suppliers are based in Canada and, therefore, transact in Canadian dollars. Certain customers and suppliers are based outside of Canada and the associated financial assets and liabilities originate in U.S. dollars, Euros or Pound Sterling, thereby exposing theScore to foreign exchange risk. theScore's exposure to foreign exchange risk is deemed to be low, as the net impact of foreign denominated receivables and payables balances has not been significant historically. Total U.S. denominated receivables as at August 31, 2016 and 2015 were \$2,296 and \$1,678, respectively. The Score's foreign exchange gain for the years ended August 31, 2016 and 2015 was \$96 and \$121, respectively.

### (d) Fair values:

The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs are based on observable market data, either directly or indirectly other than quoted prices; and
- Level 3 - inputs are not based on observable market data.

The fair values of theScore's financial assets and liabilities, including cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities were deemed to approximate their carrying amounts due to the relative short-term nature of these financial instruments.

The Company has one financial asset measured on a fair value basis using Level 3 inputs being an available-for-sale financial asset with a fair value of \$760 at August 31, 2016 (2015 - \$760), which has been determined by reference to the most recent external capital financing transaction and consideration of other indicators of fair value as the entity is not a public company and, therefore, there is no quoted market price at theScore's reporting date.



# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

## 9. Financial risk management (continued):

(e) Cash and cash equivalents:

	2016	2015
Cash	\$ 5,604	\$ 2,854
Cash equivalents:		
Government treasury bills	9,950	28,987
<b>Total cash and cash equivalents</b>	<b>\$ 15,554</b>	<b>\$ 31,841</b>

## 10. Commitments:

theScore has the following firm commitments under agreements:

	Not later than one year	Later than one year and not later than five years	Later than five years	Total
Content and other	\$ 272	\$ 265	\$ –	\$ 537
Office lease	859	3,778	1,054	5,691
<b>Total</b>	<b>\$ 1,131</b>	<b>\$ 4,043</b>	<b>\$ 1,054</b>	<b>\$ 6,228</b>

Office lease:

theScore's current lease agreement is for a 30,881 square foot space at its head office in Toronto, Ontario, and runs until September 30, 2022.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

## 11. Share-based compensation:

### (a) Stock option plan:

theScore has a stock option plan (the "Plan") under which the Board of Directors, or a committee appointed for such purpose, may, from time to time, grant to directors, officers and full-time employees of, or consultants to, theScore options to acquire Class A Subordinate Voting shares. Under the Plan, the exercise price of an option is based on the closing trading price on the day prior to the grant. An option's maximum term is 10 years and options generally vest in six-month tranches over a period of three years. Certain of theScore's employees and consultants participate in the Plan in exchange for services provided to theScore.

The following table summarizes the status of options granted to employees of theScore under the Plan:

	Number	Exercise price	Weighted average exercise
Outstanding options, August 31, 2014	8,810,510	\$ 0.13 - 0.18	\$ 0.16
Granted	6,215,000	0.29 - 0.38	0.30
Cancelled	(865,010)	0.13 - 0.38	0.26
Exercised	(376,336)	0.13 - 0.29	0.16
Outstanding options, August 31, 2015	13,784,164	0.13 - 0.38	0.22
Granted	7,515,000	0.31	0.31
Cancelled	(1,474,149)	0.13 - 0.38	0.32
Exercised	(555,013)	0.13 - 0.29	0.16
Outstanding options, August 31, 2016	19,270,002		\$ 0.25
Options exercisable, August 31, 2016	10,377,616	\$ 0.13 - 0.31	\$ 0.20

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

## 11. Share-based compensation (continued):

The following table summarizes the range of exercise prices and the weighted average of exercise prices as at August 31, 2016:

Exercise price	Options outstanding	Options exercisable	Weighted average exercise
\$ 0.13	3,327,500	3,327,500	\$ 0.13
0.18	4,146,666	3,446,672	0.18
0.29	4,882,501	2,444,280	0.29
0.31	6,913,335	1,159,164	0.31
	19,270,002	10,377,616	\$ 0.20

As at August 31, 2016, the weighted average remaining contractual life of the options exercisable and outstanding was 2.49 and 2.78 years, respectively. The estimated fair value of options granted during the years ended August 31, 2016 and 2015, were determined on the date of grant using the Black-Scholes option-pricing model using the following assumptions:

	2016	2015
Fair value of options	\$0.15-0.27	\$0.14-0.18
Exercise price	\$0.31	\$0.29-0.38
Risk-free interest rate	1% - 2%	1% - 2%
Dividend yield	—	—
Volatility factor of the future expected market price of shares	89%	86%
Weighted average expected life of the options	3 - 10 years	3 - 10 years

During the years ended August 31, 2016 and 2015, share-based compensation expense relating to stock options under the Plan amounted to \$1,119 and \$838, respectively.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 11. Share-based compensation (continued):

### (b) Share purchase plan:

The Company has a share purchase plan (the "SPP") in order to facilitate the acquisition and the retention of Class A Subordinate Voting shares by eligible participants. The SPP allows eligible participants to voluntarily join in a share purchase program. Under the terms of the SPP, eligible participants can have up to 5% of their compensation deducted from their pay to contribute towards the purchase of Class A Subordinate Voting shares of the Company. The Company makes a contribution equal to the amount of the compensation contributed by each participant. The Class A Subordinate Voting shares are purchased by an independent broker through the facilities of the TSX-V and are held by a custodian on behalf of the SPP participants. During the years ended August 31, 2016 and 2015, theScore recorded an expense of \$471 and \$330 as part of personnel expenses within profit or loss, respectively, relating to its participating employees in the SPP.

## 12. Revenue:

During the year ended August 31, 2016, theScore's revenue represented advertising on its digital media products. During the year ended August 31, 2015, revenue also included licensing of its mobile applications. The revenue earned from each of these revenue sources is as follows:

	2016	2015
Advertising	\$ 23,916	\$ 11,682
Licensing	–	677
	<u>\$ 23,916</u>	<u>\$ 12,359</u>

Revenue from Canadian sources was \$6,828 (2015 - \$4,278), while revenue from non-Canadian (predominantly U.S.A.) sources was \$17,088 (2015 - \$8,081).

The contract related to the licensing revenues ended in May 2015.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

## 13. Basic and diluted loss per share:

The following table sets forth the computation of basic and diluted loss per share:

	2016	2015
Loss for the year available to shareholders - basic and diluted	\$ (16,863)	\$ (13,469)
Weighted average shares outstanding - basic and diluted	295,189,709	273,784,654
Loss per share - basic and diluted	\$ (0.06)	\$ (0.05)

During the years ended August 31, 2016 and 2015, there were no outstanding stock options or warrants included in the computation of diluted loss per share as the impact would have been anti-dilutive.

## 14. Capital:

theScore is authorized to issue the following capital stock:

5,566 Special Voting shares  
Unlimited Class A Subordinate Voting shares  
Unlimited Preference shares

The Special Voting shares, each convertible into one Class A Subordinate Voting share, entitle the holders to vote separately as a class and to one vote for each share held. In addition, these shares shall have the right to elect that number of members of the Board of Directors of theScore that would constitute a majority of the authorized number of directors of theScore plus two, subject to the right of the holders of Class A Subordinate Voting shares to elect at least two members of the Board of Directors.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

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## 14. Capital (continued):

The holders of Class A Subordinate Voting shares are entitled to one vote for each share held at all meetings of the shareholders, other than meetings at which only the holders of another class or series of shares are entitled to vote separately.

The Preference shares are non-voting, except in certain circumstances and shall, with respect to the payment of dividends and the dissolution of assets in the event of liquidation or any other distribution of assets, rank on a parity with the Preference shares of other series and be entitled to preference in liquidation over the Special Voting shares and the Class A Subordinate Voting shares. As at August 31, 2016 and 2015, no Preference shares have been issued.

### (a) Public offering:

On March 5, 2015, theScore announced that it closed an offering whereby it sold 39.56 million Units, each unit consisting of one Class A Subordinate Voting share and one-half of one Class A share purchase warrant, for gross proceeds of \$26,505. Each whole warrant is exercisable into one Class A Subordinate Voting share for \$1.00 on or before March 5, 2018. Proceeds net of commissions, legal costs and listing fees were \$24,866. As part of the offering, theScore issued to the underwriters 700,000 broker warrants (the "Broker Warrants"). Each broker warrant is exercisable into one Unit at \$0.67 per Unit on or before March 5, 2017. The Units have the same terms and conditions as the Units issued in the offering.

A company controlled by theScore's Chairman and Chief Executive Officer participated in the public offering, purchasing 2,984,000 Units.

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

## 14. Capital (continued):

### (b) Warrants:

The following tables provide information about Class A Subordinate Voting share purchase warrants at August 31, 2016:

	Number of warrants	Weighted average exercise price
Balance, beginning of year	19,780,000	\$ 1.00
Issued/exercised	—	—
Balance, end of year	19,780,000	\$ 1.00

Net proceeds of \$1,108 were allocated to the Class A Subordinate Voting share purchase warrants based on an estimate of fair value using a Black Scholes model and applying the following assumptions:

Risk-free interest rate	1.0%
Dividend yield	—
Expected volatility	30.0%
Expected life	3 years
Weighted average fair value of each whole warrant at issuance date	\$0.06

### (c) Broker Warrants:

The following table provides information about the Broker Warrants at August 31, 2016:

	Number of Broker Warrants	Weighted average exercise price
Balance, beginning of year	700,000	\$ 0.67
Issued/exercised	—	—
Balance, end of year	700,000	\$ 0.67

# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

## 14. Capital (continued):

Net proceeds of \$121 were allocated to the Broker Warrants based on an estimate of fair value using a binomial model and applying the following assumptions:

Risk-free interest rate	1.0%
Dividend yield	—
Expected volatility	30.0% - 86.3%
Expected life	1 - 2 years
Weighted average fair value of Broker Warrants at issuance date	\$0.06 - \$0.14

## 15. Income taxes:

Recognized deferred tax assets and liabilities are attributable to the following:

Deferred income tax asset (liability)	Non-capital losses	Tax credits	Net
2016	\$ 1,804	\$ (1,804)	\$ —
2015	1,637	(1,637)	—
2014	1,734	(1,734)	—
2013	815	(815)	—

Unrecognized deferred tax assets:

Deferred tax assets have not been recognized for the following items as management estimated that it would not be probable that future taxable income will be available against which theScore could utilize the benefits therefrom:

	2016	2015
Non-capital income tax loss carryforwards	\$ 16,703	\$ 12,850
Property and equipment	2,746	2,615
Total	\$ 19,449	\$ 15,465



# theScore, Inc.

Notes to Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2016 and 2015

## 15. Income taxes (continued):

As at August 31, 2016, theScore has the following unrecognized non-capital losses available to reduce future years' taxable income for income tax purposes:

Income tax losses expiring in the year ending August 31:

2032 and earlier	\$ 13,941
2033	11,337
2034	13,056
2035	10,682
2036	11,226
	<hr/>
	\$ 60,242

The equipment and other deductible temporary differences of \$2,746 do not expire under current legislation.

During the years ended August 31, 2016 and 2015, theScore recorded current and deferred income tax expense of nil. A reconciliation of the income tax expense based on the statutory income tax rate to that recorded is as follows:

	2016	2015
Income tax recovery based on the combined statutory income tax rate of 26.5% (2015 - 26.5%)	\$ (4,469)	\$ (3,569)
Tax effect of non-deductible and non-taxable items	396	399
Current year tax losses and deductible temporary differences for which no deferred tax is recognized	4,599	3,256
Tax rate difference on foreign profit or loss	(526)	(86)
Income tax expense	<hr/> \$ —	<hr/> \$ —