

Consolidated Financial Statements  
(In Canadian dollars)

## **theScore, Inc.**

Years ended August 31, 2017 and 2016



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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, 2017 and 2016, 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, 2017 and 2016, 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 18, 2017  
Toronto, Canada

**theScore, Inc.**Consolidated Statements of Financial Position  
(in thousands of Canadian dollars)

	As at August 31,	
	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (note 8)	\$ 10,114	\$ 15,554
Accounts receivable	5,578	5,326
Tax credits recoverable (note 6)	-	5,192
Prepaid expenses and deposits	1,238	1,008
	<u>16,930</u>	<u>27,080</u>
Non-current assets:		
Property and equipment (note 3)	1,789	2,141
Intangible assets (note 4)	6,292	5,807
Investment (note 8)	-	760
Tax credits recoverable (note 6)	1,616	1,616
	<u>9,697</u>	<u>10,324</u>
Total assets	<u>\$ 26,627</u>	<u>\$ 37,404</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,801	\$ 5,180
Non-current liabilities:		
Deferred lease obligation	490	495
Shareholders' equity	23,336	31,729
Commitments (note 9)		
Total liabilities and shareholders' equity	<u>\$ 26,627</u>	<u>\$ 37,404</u>

See accompanying notes to consolidated financial statements

On behalf of the Board:

"John Levy" \_\_\_\_\_ Director

"Bill Thomson" \_\_\_\_\_ Director

**theScore, Inc.**

## Consolidated Statements of Comprehensive Loss

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

	Years ended August 31,	
	2017	2016
Revenue (note 11)	\$ 26,348	\$ 23,916
Operating expenses:		
Personnel	16,855	18,285
Content	1,746	2,559
Technology	2,478	2,124
Facilities, administrative and other	6,050	6,431
Marketing	3,585	5,792
Depreciation of property and equipment (note 3)	481	646
Amortization of intangible assets (note 4)	2,600	3,794
Stock based compensation (note 10)	789	1,119
	<u>34,584</u>	<u>40,750</u>
Operating loss	(8,236)	(16,834)
Finance expense, net	240	29
Loss on investment (note 8)	760	-
Net and comprehensive loss	<u>\$ (9,236)</u>	<u>\$ (16,863)</u>
Loss per share - basic and diluted (note 12)	<u>\$ (0.03)</u>	<u>\$ (0.06)</u>

See accompanying notes to consolidated financial statements

**theScore, Inc.**  
Consolidated Statements of Changes in Shareholders' Equity  
Years ended August 31, 2017 and August 31, 2016  
(in thousands of Canadian dollars, except share amounts)

	Special Voting Shares		Class A Subordinate Voting Shares		Contributed Surplus	Warrants	Retained Deficit	Total Shareholders' Equity
	Amount	Number of Shares	Amount	Number of Shares				
Balance August 31, 2015	\$ 15	5,566	\$ 68,216	294,807,771	\$ 1,346	\$ 1,229	\$ (23,420)	\$47,386
Loss for the year	-	-	-	-	-	-	(16,863)	(16,863)
Stock based compensation expense (note 10)	-	-	-	-	1,119	-	-	1,119
Shares issued on exercise of stock options	-	-	133	555,013	(46)	-	-	87
<b>Balance August 31, 2016</b>	<b>\$ 15</b>	<b>5,566</b>	<b>\$ 68,349</b>	<b>295,362,784</b>	<b>\$ 2,419</b>	<b>\$ 1,229</b>	<b>\$ (40,283)</b>	<b>\$ 31,729</b>
Balance August 31, 2016	\$ 15	5,566	\$ 68,349	295,362,784	\$ 2,419	\$ 1,229	\$ (40,283)	\$ 31,729
Loss for the year	-	-	-	-	-	-	(9,236)	(9,236)
Stock based compensation expense (note 10)	-	-	-	-	789	-	-	789
Shares issued on exercise of stock options	-	-	82	362,500	(28)	-	-	54
Warrant expiration (note 13)	-	-	-	-	700	(700)	-	-
<b>Balance August 31, 2017</b>	<b>\$ 15</b>	<b>5,566</b>	<b>\$ 68,431</b>	<b>295,725,284</b>	<b>\$ 3,880</b>	<b>\$ 529</b>	<b>\$ (49,519)</b>	<b>\$ 23,336</b>

See accompanying notes to consolidated financial statements

**theScore, Inc.**

## Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	Years ended August 31,	
	2017	2016
Cash flows used in operating activities		
Loss for the year	\$ (9,236)	\$ (16,863)
Adjustments for:		
Depreciation and amortization	3,081	4,440
Stock based compensation (note 10)	789	1,119
Loss on investment (note 8)	760	-
	<u>(4,606)</u>	<u>(11,304)</u>
Change in non-cash operating assets and liabilities:		
Accounts receivable	(252)	(1,950)
Tax credits recoverable	3,061	(296)
Prepaid expenses and deposits	(230)	(166)
Accounts payable and accrued liabilities	(2,379)	597
Deferred lease obligation	(5)	(15)
	<u>195</u>	<u>(1,830)</u>
Net cash used in operating activities	<u>(4,411)</u>	<u>(13,134)</u>
Cash flows from financing activities		
Exercise of stock options	54	87
Net cash from financing activities	<u>54</u>	<u>87</u>
Cash flows used in investing activities		
Additions to property and equipment (note 3)	(129)	(664)
Additions to intangible assets (note 4)	(3,085)	(2,576)
Tax credits recoverable	2,131	-
Net cash used in investing activities	<u>(1,083)</u>	<u>(3,240)</u>
Decrease in cash and cash equivalents	(5,440)	(16,287)
Cash and cash equivalents, beginning of year	15,554	31,841
Cash and cash equivalents, end of year	<u>\$ 10,114</u>	<u>\$ 15,554</u>

Additions to intangible assets are net of tax credits recoverable of \$ nil and \$336 in 2017 and 2016, respectively.

# theScore, Inc.

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

Years ended August 31, 2017 and August 31, 2016

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## 1. Nature of operations:

### (a) Business:

theScore's ("theScore" or the "Company") mission is to create highly-engaging digital products and content that empower the sports fan's experience. Its flagship mobile app 'theScore' is one of the most popular multi-sport news and data apps in North America, serving millions of fans a month. The Company also creates innovative digital sports experiences through its web, social and esports platforms. 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 interim financial statements were approved by the Board of Directors of theScore on October 18, 2017.



## theScore, Inc.

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

Years ended August 31, 2017 and August 31, 2016

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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 property and equipment have different useful lives, they are accounted for as separate components of property and 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, 2017 and August 31, 2016

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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, 2017 and August 31, 2016

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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, 2017 and August 31, 2016

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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 intangible assets 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, 2017 and August 31, 2016

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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, 2017 and August 31, 2016

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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. 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.

(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, 2017 and August 31, 2016

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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, 2017 and 2016.

##### (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, 2017 and August 31, 2016

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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, 2017 and 2016.

#### (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) Stock based payment transactions:

Certain members of theScore's personnel participate in stock based compensation plans (note 10). The stock based compensation costs are expensed by theScore under operating expenses in profit or loss. The grant date fair value of stock 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, 2017 and August 31, 2016

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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, 2017 and 2016.

(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 presented in finance income or expense.

## theScore, Inc.

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

Years ended August 31, 2017 and August 31, 2016

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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:

Interest income on funds invested 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, 2017 and August 31, 2016

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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, 2017 and August 31, 2016

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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, 2017 and 2016 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, 2017 and August 31, 2016

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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) 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, 2017 and August 31, 2016

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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) Recent standards and amendments not yet effective

(i) IFRS 9, Financial Instruments ("IFRS 9"):

IFRS 9 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 in its consolidated financial statements for the annual period beginning on September 1, 2018. The impact of adoption of the standard has not yet been determined but the Company expects the application of this new standard will not have a material impact 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, 2017 and August 31, 2016

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### **2. Significant accounting policies (continued):**

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

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11, Construction Contracts, IAS 18, Revenue, and IFRIC 13, Customer Loyalty Programmes.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The Company intends to adopt IFRS 15 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 but the Company expects the application of this new standard will not have a significant impact on its consolidated financial statements.

## **theScore, Inc.**

Notes to Consolidated Financial Statements (continued)  
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Years ended August 31, 2017 and August 31, 2016

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### **2. Significant accounting policies (continued):**

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

IFRS 16 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)  
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Years ended August 31, 2017 and August 31, 2016

### 3. Property and equipment:

	Computer equipment	Office equipment	Leasehold improvements	Total
<b>Cost</b>				
Balance, August 31, 2015	\$ 1,466	\$ 714	\$ 1,702	\$ 3,882
Additions	250	152	262	664
Balance, August 31, 2016	1,716	866	1,964	4,546
Additions	67	51	11	129
Balance, August 31, 2017	\$ 1,783	\$ 917	\$ 1,975	\$ 4,675
<b>Accumulated depreciation</b>				
Balance, August 31, 2015	\$ 816	\$ 316	\$ 627	\$ 1,759
Depreciation	247	100	299	646
Balance, August 31, 2016	1,063	416	926	2,405
Depreciation	208	98	175	481
Balance, August 31, 2017	\$ 1,271	\$ 514	\$ 1,101	\$ 2,886
<b>Carrying amounts</b>				
Balance, August 31, 2015	\$ 650	\$ 398	\$ 1,075	\$ 2,123
Balance, August 31, 2016	\$ 653	\$ 450	\$ 1,038	\$ 2,141
Balance, August 31, 2017	\$ 512	\$ 403	\$ 874	\$ 1,789

## theScore, Inc.

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

Years ended August 31, 2017 and August 31, 2016

### 4. Intangible assets:

	Product development	Trademarks & domain names	Computer software	Acquired technology	Acquired customer relationships	Total
<b>Cost</b>						
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
Additions	3,045	-	40	-	-	3,085
Balance, August 31, 2017	\$ 19,102	\$ 358	\$ 1,213	\$ 2,028	\$ 485	\$ 23,186
<b>Accumulated amortization</b>						
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
Amortization	2,532	36	32	-	-	2,600
Balance, August 31, 2017	\$ 13,034	\$ 152	\$ 1,195	\$ 2,028	\$ 485	\$ 16,894
<b>Carrying amounts</b>						
Balance, August 31, 2015	\$ 5,647	\$ 282	\$ 5	\$ 1,427	-	\$ 7,361
Balance, August 31, 2016	\$ 5,555	\$ 242	\$ 10	-	-	\$ 5,807
Balance, August 31, 2017	\$ 6,068	\$ 206	\$ 18	-	-	\$ 6,292

The Company presented the digital media tax credits received during the years ended August 31, 2017 and 2016 in the consolidated statement of cash flows as either operating or investing activities depending upon their initial accounting treatment.

## theScore, Inc.

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

Years ended August 31, 2017 and August 31, 2016

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#### 4. Intangible assets (continued):

During the year ended August 31, 2017, the Company capitalized internal product development costs of approximately \$3,045 (2016 - \$2,552) inclusive of tax credits recoverable as a result of accrual adjustments of nil and \$336, respectively.

The significant development projects for the year ended August 31, 2017 consisted of an update to the flagship app “theScore” which included a redesigned user interface and enhanced multimedia content offering, iteration of chatbot platforms, and an updated content management system. The 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.

During the year ended August 31, 2017, the Company accelerated the amortization of the Squad Up fantasy game due to the change in strategy of the product. This resulted in an incremental increase in amortization of \$413 for the year ended August 31, 2017. The Squad Up fantasy game has a net book value of \$776 as at August 31, 2017 and will be fully amortized during fiscal 2018.

#### 5. 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, 2017 and 2016 amounted to \$43 and \$42, respectively. The payable balances as at August 31, 2017 and 2016 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:

	2017	2016
Salaries and non-equity incentive compensation	\$ 1,514	\$ 1,987
Stock based and other compensation	207	578
<b>Total</b>	<b>\$ 1,721</b>	<b>\$ 2,565</b>

## **theScore, Inc.**

Notes to Consolidated Financial Statements  
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Years ended August 31, 2017 and August 31, 2016

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### **6. Tax credits:**

As at August 31, 2017, tax credits recoverable of nil and \$1,616 are included in tax credits recoverable - current and non-current, respectively, in the consolidated statements of financial position (August 31, 2016 - \$5,192 and \$1,616, respectively). Tax credits recoverable reflect management's best estimate of credits for which realization is reasonably assured based on consideration of both certificates of eligibility received from the Ontario Media Development Corporation ("OMDC") for specific claims and the OMDC's historical acceptance of expenditures of a similar nature for refundable credit. No tax credits were accrued during the years ended August 31, 2017, and August 31, 2016.

During the year ended August 31, 2017, the Company collected \$5,192 from the OMDC, related to tax credits claimed for expenditures incurred in fiscal 2012, 2013 and 2014.

### **7. 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.

### **8. 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, Inc.

Notes to Consolidated Financial Statements  
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Years ended August 31, 2017 and August 31, 2016

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### 8. Financial risk management (continued):

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, 2017 and August 31, 2016, theScore had an allowance for doubtful accounts of \$10 and \$10, respectively and did not write off any receivables during the year ended August 31, 2017.

At August 31, 2017 and August 31, 2016, \$660 and \$246, 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 two customers, both programmatic networks, represented 12% and 13% of revenue, respectively, for the year ended August 31, 2017 (August 31, 2016 – one customer, a programmatic network, represented 22% of revenue). As at August 31, 2017, two customers (one agency and one programmatic network) represented 10% and 14% of the accounts receivable balance respectively (August 31, 2016 – two customers - 11% and 10%, both programmatic networks, respectively).

#### (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, 2017, theScore had cash and cash equivalents of \$10,114 (August 31, 2016 - \$15,554), accounts receivable of \$5,578 (August 31, 2016 - \$5,326), current tax credits recoverable of nil (August 31, 2016 - \$5,192), and accounts payable and accrued liabilities to third parties of \$2,801 (August 31, 2016 - \$5,180). 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.

## **theScore, Inc.**

Notes to Consolidated Financial Statements  
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### **8. Financial risk management (continued):**

#### (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. As at August 31, 2017 the Company does not have any financial instruments exposing it to market or interest rate risk.

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

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 Pounds Sterling, thereby exposing theScore to foreign exchange risk. theScore's exposure to foreign exchange risk is deemed to be low. Total U.S. dollar denominated receivables as at August 31, 2017 and 2016 were \$2,229 and \$2,296, respectively. The Score's foreign exchange gain (loss) is included in finance expense in the consolidated statements of comprehensive loss, and for the year ended August 31, 2017 was \$364 (2016 - \$96).

#### (d) Fair values:

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 relatively short-term nature of these financial instruments.

## theScore, Inc.

Notes to Consolidated Financial Statements  
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Years ended August 31, 2017 and August 31, 2016

### 8. Financial risk management (continued):

During the year ended August 31, 2017, the Company disposed of its investment for nominal proceeds in connection with the sale of this investment. As a result, the Company recorded an investment loss of \$760 recorded in net loss for the year.

#### (e) Cash and cash equivalents:

	August 31, 2017	August 31, 2016
Cash	\$ 5,377	\$ 5,604
Cash equivalents:		
Government treasury bills and Guaranteed Investment Certificates	4,737	9,950
Total cash and cash equivalents	<u>\$ 10,114</u>	<u>\$ 15,554</u>

### 9. Commitments:

The Company has no debt guarantees, off-balance sheet arrangements or long-term obligations other than the content and other and office lease agreements noted below.

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	\$ 594	\$ 633	\$ -	\$ 1,227
Office lease	910	3,840	81	4,831
Total	<u>\$ 1,504</u>	<u>\$ 4,473</u>	<u>\$ 81.00</u>	<u>\$ 6,058</u>

#### 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  
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Years ended August 31, 2017 and August 31, 2016

### 10. Stock 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 price
Outstanding options, August 31, 2015	13,784,164	\$ 0.13 - 0.18	\$ 0.16
Granted	7,515,000	0.29 - 0.38	0.30
Cancelled	(1,474,149)	0.13 - 0.38	0.26
Exercised	(555,013)	0.13 - 0.29	0.16
Outstanding options, August 31, 2016	19,270,002	\$ 0.13 - 0.38	\$ 0.25
Granted	4,095,000	0.21	0.21
Cancelled	(1,432,916)	0.18 - 0.31	0.26
Exercised	(362,500)	0.13 - 0.18	0.15
Outstanding options, August 31, 2017	21,569,586	\$ 0.13 - 0.31	\$ 0.24
Options exercisable, August 31, 2017	14,580,874	\$ 0.13 - 0.31	\$ 0.23

The following table summarizes the range of exercise prices and the weighted average prices of outstanding and exercisable options as at August 31, 2017.

Exercise price	Options outstanding	Options exercisable	Weighted average exercise price
\$ 0.13	3,053,334	3,053,334	\$ 0.13
0.18	3,899,165	3,899,165	0.18
0.21	3,728,752	635,001	0.21
0.29	4,553,334	3,798,374	0.29
0.31	6,335,001	3,195,000	0.31
	21,569,586	14,580,874	\$ 0.23



## theScore, Inc.

Notes to Consolidated Financial Statements  
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### 10. Stock based compensation (continued):

As at August 31, 2017, the weighted average remaining contractual life of the options exercisable and outstanding is estimated to be 3.39 and 3.24 years, respectively. The estimated fair value of options granted during the year ended August 31, 2017 and August 31, 2016 was determined on the date of grant using the Black-Scholes option pricing model with the following assumptions:

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	2017	2016
Fair value of options	\$0.09-0.16	\$0.15-0.27
Exercise price	\$0.21	\$0.29 - \$0.38
Risk-free interest rate	1% - 2%	1% - 2%
Dividend yield	—	—
Volatility factor of the future expected market price of shares	72%	89%
Weighted average expected life of the options	3 - 10 years	3 - 10 years

During the year ended August 31, 2017, stock based compensation recorded in connection with stock options issued by theScore was \$789 (2016 - \$1,119).

(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 Venture Exchange and are held by a custodian on behalf of the SPP participants. During the year ended August 31, 2017, theScore recorded an expense of \$502, as part of personnel expenses, relating to its participating employees in the SPP (2016 - \$471).

## theScore, Inc.

Notes to Consolidated Financial Statements  
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### 11. Revenue:

Revenue from Canadian sources for the year ended August 31, 2017 was \$9,375 (2016 - \$6,828), while revenue from non-Canadian sources (predominantly USA) for the same period was \$16,973 (2016 - \$17,088).

### 12. Basic and diluted loss per share:

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

	2017	2016
Loss for the year available to shareholders - basic and diluted	\$ (9,236)	\$ (16,863)
Weighted average shares outstanding - basic and diluted	295,580,797	295,189,709
Loss per share - basic and diluted	\$ (0.03)	\$ (0.06)

During the year ended August 31, 2017, 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.

## **theScore, Inc.**

Notes to Consolidated Financial Statements  
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### **13. Capital:**

theScore is authorized to issue the following capital stock:

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

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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.

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### 13. 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, 2017 and 2016, no Preference shares have been issued.

#### (a) Warrants:

The following tables provide information about Class A Subordinate Voting share purchase warrants at August 31, 2017:

	Number of warrants	Weighted average exercise price
Balance, beginning of year	19,780,000	\$ 1.00
Issued/exercised	–	–
Balance, August 31, 2016	19,780,000	\$ 1.00
Issued/exercised	–	–
Balance, August 31, 2017	19,780,000	\$ 1.00

The warrants expire March 5, 2018.

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### 13. Capital (continued):

#### (b) Broker warrants:

The following table provides information about the broker warrants at August 31, 2017:

	Number of Broker Warrants	Weighted average exercise price
Balance, beginning of year	700,000	\$ 0.67
Issued/exercised	—	—
Balance, August 31, 2016	700,000	\$ 0.67
Issued/exercised	—	—
Expired	(700,000)	0.67
Balance, August 31, 2017	—	—

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### 14. Income taxes:

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

Deferred income tax asset (liability)	Non-capital losses	Tax credits	Net
2017	\$ 428	\$ (428)	\$ -
2016	1,804	(1,804)	-

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 years taxable income will be available against which theScore could utilize the benefits therefrom:

	August 31, 2017	August 31, 2016
Non-capital income tax loss carryforwards	\$ 18,454	\$ 16,703
Capital losses carryforwards	127	-
Equipment and other deductible differences	3,564	2,746
Total	\$ 22,145	\$ 19,449

As at August 31, 2017, 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	\$ 14,365
2033	11,337
2034	13,056
2035	10,682
2036	12,381
2037	4,152
	\$ 65,973

## theScore, Inc.

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### 14. Income taxes (continued):

The property and equipment and other deductible temporary differences of \$13,450 do not expire under current legislation.

During the years ended August 31, 2017 and 2016, 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:

	2017	2016
Income tax recovery based on the combined statutory income tax rate of 26.5% (2016 - 26.5%)	\$ (2,448)	\$ (4,469)
Tax effect of non-deductible and non-taxable items	456	396
Current year tax losses and deductible temporary differences for which no deferred tax is recognized	2,224	4,599
Tax rate difference on foreign profit or loss	(232)	(526)
Income tax expense	\$ —	\$ —