

theScore, Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the Three Months Ended November 30, 2015

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of theScore, Inc. ("theScore" or the "Company") and our financial performance for the three ended November 30, 2015. The MD&A should be read in conjunction with theScore's unaudited Condensed Consolidated Interim Financial Statements for the three months ended November 30, 2015 ("Interim Financial Statements") and Notes thereto. The financial information presented herein has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The interim MD&A should be read in conjunction with theScore's MD&A for the year ended August 31, 2015. All amounts are in Canadian dollars unless otherwise stated. As a result of the rounding of dollar differences, certain total dollar amounts in this MD&A may not add exactly to their constituent amounts. Throughout this MD&A, percentage changes are calculated using numbers rounded as they appear.

Except for the historical information contained herein, this MD&A may contain forward-looking information based on the best estimates of theScore of the current operating environment. These forward-looking statements are related to, but not limited to, theScore's operations, anticipated financial performance, business prospects and strategies. Forward looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "estimate", "intend", "will", "may", "should" or similar words suggesting future outcomes. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A, January 13, 2016. There is significant risk that theScore's predictions and other forward-looking statements will not prove to be accurate. Such forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such factors include, but are not limited to, economic, competitive and media industry conditions. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved by theScore. By its nature, theScore's forward-looking information involves numerous assumptions, inherent risks and uncertainties including, but not limited to, the following factors: a new and developing industry, historical losses and negative operating cash flows, liquidity risk, competition, dependence on key suppliers, mobile device users choosing not to allow advertising, limited long-term agreements with advertisers, substantial capital requirements, protection of intellectual property, infringement on intellectual property, brand development, dependence on key personnel and employees, rapid technology developments, defects in products, user data, reliance on collaborative partners, new business areas and geographic markets, risks associated with the Swoopt acquisition and daily fantasy sports, operational and financial infrastructure, information technology defects, indemnified liability risk, reliance on third-party owned

communication networks, uncertain economic health of the wider economy, governmental regulation of the Internet, currency fluctuations, changes in taxation, exposure to taxable presences, risk of litigation, internal controls, credit risk, free and open source software utilization, potential major shareholder with 100% of the special voting shares, market price and trading volume of Class A Subordinate Voting shares ("Class A shares"), Class A Share Purchase Warrants ("Warrants"), dividend policy, future sale of class A shares by existing shareholders which are all discussed in the Company's Annual Information Form dated November 27, 2015.

The Company

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 QuickDraft. 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. At November 30, 2015 theScore had 5,566 special voting shares, 295,058,605 Class A shares and 19,780,000 Warrants outstanding.

Revenue

(in thousands of Canadian dollars)

	Three months ended November 30,	
	2015	2014
Advertising	\$ 7,003	\$ 2,796
Licensing	-	250
Total	<u>\$ 7,003</u>	<u>\$ 3,046</u>

Revenues for the three months ended November 30, 2015 and 2014 were \$7.0 million and \$3.0 million, respectively, an increase of \$4.0 million, or 130%.

Advertising revenues for the three months ended November 30, 2015 and 2014 were \$7.0 million and \$2.8 million respectively, an increase of \$4.2 million or 150%.

Increases in advertising revenues were driven by growth in users and user engagement, combined with increased advertising inventory utilization and per unit advertising rates. During the three months ended November 30, 2015 theScore's mobile applications reached a record 4.7 million¹ average monthly active users, an increase of 10% over the three months ended November 30, 2014. Average monthly user sessions of theScore's mobile applications reached 415 million, up by 51% compared to the three months ended November 30, 2014.

Licensing revenues were nil and \$0.25 million, respectively, for the three months ended November 30, 2015 and 2014. The contract related to the licensing revenues for the development of mobile applications ended in May 2015. The Company does not anticipate any further licensing revenues.

theScore recognizes advertising revenue based on the sale and delivery of advertising impressions on its digital media platforms. theScore is currently expanding its direct sales, programmatic sales and sales operations teams to drive further revenue growth associated with growth in users and user engagement. For the three months ended November 30, 2015 revenue from Canadian sources was \$1.7 million (2014 - \$0.9 million), while revenue from non-Canadian sources (predominately USA) for the same period was \$5.3 million (2014 - \$2.1 million).

¹ User and user engagement metrics in the current and comparative periods excludes the following platforms no longer supported by theScore: (i) theScore app on BlackBerry 7, BlackBerry Playbook, Kindle Fire and Windows Phone 7; and (ii) theScore's legacy soccer application, ScoreMobile FC.

Operating Expenses

(in thousands of Canadian dollars)

	Three months ended November 30,	
	2015	2014
Personnel	\$ 4,595	\$ 2,475
Content	640	234
Technology	594	408
Facilities, administrative, and other	1,532	907
Marketing	1,986	518
Depreciation of equipment	149	126
Amortization of intangible assets	614	458
	<u>\$ 10,110</u>	<u>\$ 5,126</u>

Operating expenses for the three months ended November 30, 2015 were \$10.1 million compared to \$5.1 million in the same period of the prior year, an increase of \$5.0 million.

Personnel expenses for the three month period ended November 30, 2015 were \$4.6 million compared to \$2.5 million in the same period of the prior year, an increase of \$2.1 million. The increases were due to the hiring of additional staff in the product development and content teams specifically related to the expansion of eSports and the launch of QuickDraft, and a \$0.3 million reduction to personnel costs in the prior year related to tax credits.

Full time personnel as at November 30, 2015 were 179 compared to 129 in the same period in the prior year.

Content expenses for the three month period were \$0.6 million compared to \$0.2 million in the same period of the prior year, an increase of \$0.4 million. Increases were primarily due to additional content costs related to theScore, eSports.

Technology expenses for the three month period were \$0.6 million compared to \$0.4 million in the same period of the prior year, an increase of \$0.2 million. The increases were due to higher hosting and mobile infrastructure costs related to the increasing size and engagement level of the user base.

Facilities, administrative and other expenses for the three month period were \$1.5 million compared to \$0.9 million in the same period of the prior year, an increase of \$0.6 million. The increases were due to higher facilities costs due to the expansion of the Company's premises in Toronto and higher professional fees in the current period.

Marketing expenses for the three month period were \$2.0 million compared to \$0.5 million in the same period of the prior year, an increase of \$1.5 million. The increase was

due to higher marketing spend for eSports and promotional costs related to the launch of QuickDraft.

Depreciation of property and equipment for the three month period was \$0.1 million compared to \$0.1 million in the same period of the prior year.

Amortization expense for the three month period was \$0.6 million compared to \$0.5 million in the same period of the prior year, an increase of \$0.1 million.

Impact of OIDMTCs

No tax credits were accrued during the three months ended November 30, 2015. During the same period of the prior year, theScore accrued \$0.6 million of tax credits recoverable. An amount of \$0.3 million of the accrual was recorded as a reduction of personnel expenses while \$0.3 million of the accrual was recorded as a reduction of related internal development costs capitalized as intangible assets.

Due to recently proposed amendments to eligibility rules for these tax credits, the Company ceased recording the benefits of these tax credits on April 23, 2015, the date the 2015 Ontario budget was tabled.

Adjusted EBITDA and Net and Comprehensive losses

theScore utilizes earnings before interest, taxes, depreciation, amortization and acquisition costs (“Adjusted EBITDA”) to measure operating performance. theScore’s definition of Adjusted EBITDA excludes depreciation and amortization, finance income, income taxes, and acquisition costs which in theScore's view do not adequately reflect its core operating results. Adjusted EBITDA is used in the determination of short-term incentive compensation for all senior management personnel. The Company revised the non-GAAP measure in fiscal 2015 from EBITDA to adjusted EBITDA, as a result of the acquisition costs incurred related to Swoopt.

Adjusted EBITDA is not a measure of performance under IFRS and should not be considered in isolation or as a substitute for net and comprehensive income or loss prepared in accordance with IFRS or as a measure of operating performance or profitability. Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies.

The following table reconciles net and comprehensive loss to Adjusted EBITDA:
(in thousands of Canadian dollars)

	Three months ended November 30,	
	2015	2014
Net and comprehensive loss for the period	\$ (3,059)	\$ (2,015)
Adjustments:		
Depreciation and amortization	763	584
Finance income	(48)	(65)
Adjusted EBITDA loss	\$ (2,344)	\$ (1,496)

Adjusted EBITDA loss for the three month period ended November 30, 2015 was \$2.3 million compared to \$1.5 million in the same period in the prior year, an increase of \$0.8 million.

Net and comprehensive loss in the three month period was \$3.1 million compared to \$2.0 million in the same period in the prior year.

The increases in Adjusted EBITDA loss and net and comprehensive loss were primarily due to higher personnel, facilities, marketing and other costs as previously discussed, partially offset by continued revenue growth.

Loss per share for the current three month period was \$(0.01) compared to \$(0.01) in the prior year. There was no change in loss per share for the three months ended November 30, 2015 as compared to the prior year due to the combination of a higher net loss and higher number of shares outstanding in the current period.

Additions to Intangible Assets

During the three months ended November 30, 2015, the Company capitalized internal product development costs of approximately \$0.6 million (2014 - \$0.5 million, net of tax credits recoverable of \$0.3 million). The significant development projects for the current three month period were the continued development of QuickDraft, the development of the significant new features for; theScore, eSports – personalization and localization, and theScore – data visualizations for team pages.

The Company capitalized internal product development costs during the three months ended November 30, 2015 and 2014 for both new development projects and projects that, in management’s judgement, represent substantial improvements to existing products. In assessing whether costs can be capitalized for improvements, management exercises significant judgement 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. Future economic benefits from these capitalized projects 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.

Consolidated Quarterly Results

The following selected consolidated quarterly financial data of the Company relates to the preceding eight quarters, inclusive of the quarter ended November 30, 2015.

Quarterly Results	Revenue	Adjusted EBITDA loss	Net and comprehensive loss	Loss per share – basic and diluted
	(\$000's)	(\$000's)	(\$000's)	(\$)
November 30, 2015	7,003	(2,344)	(3,059)	(0.01)
August 31, 2015	2,933	(4,020)	(4,622)	(0.02)
May 31, 2015	3,161	(3,228)	(3,987)	(0.01)
February 28, 2015	3,219	(1,924)	(2,845)	(0.01)
November 30, 2014	3,046	(1,496)	(2,015)	(0.01)
August 31, 2014	1,804	(3,246)	(3,933)	(0.02)
May 31, 2014	1,972	(2,138)	(2,756)	(0.01)
February 28, 2014	1,914	(686)	(949)	(0.00)

Use of the Company's applications has historically reflected the general trends for sports schedules of the major North American sports leagues. As a result, the Company's first and second fiscal quarters are typically the strongest from a revenue perspective.

Quarterly revenue fluctuations are a combination of the seasonality trend of usage described above and year over year revenue growth.

Adjusted EBITDA loss and net and comprehensive loss fluctuations were due to increases in personnel and infrastructure costs required to sustain periods of rapid growth and expansion, partially offset by seasonal revenue fluctuations and OIDMTC accruals.

Liquidity Risk and Capital Resources

Cash and cash equivalents as of November 30, 2015 were \$24.8 million compared to \$31.8 million as of fiscal year ended August 31, 2015.

Liquidity

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 does not have any financial instruments, other than its accounts receivable, accounts payable and an available-for-sale investment. Refer to note 8 of theScore’s interim financial statements for additional details.

Operations

Cash flows used in operating activities for the three months ended November 30, 2015 were \$6.1 million compared to \$3.6 million in the same period of the prior year. The increases in cash flows used in operations was a result of an increase in accounts receivable, a decrease in accounts payable and accrued liabilities, and an increase in net and comprehensive losses.

Financing

Cash flows provided by financing activities for the three months ended November 30, 2015 and 2014 were nil.

Investing

Cash flows used in investing activities for the three months ended November 30, 2015 and 2014 were \$0.9 million and \$0.9 million, respectively.

Use of Proceeds – 2015 Offering

The following is a tabular comparison of the use of proceeds disclosed in the Company’s short form prospectus dated February 26, 2015 (the “2015 Offering Prospectus”) qualifying the distribution of 34.4 million Units (the “2015 Offering”) and the estimated use of the net proceeds by the Company subsequent to the 2015 Offering. The \$24.9 million of actual net proceeds shown below includes the net proceeds from the full exercise of the over-allotment option by the underwriters of the 2015 Offering.

Use of Proceeds	Disclosed in the 2015 Offering Prospectus	Net Proceeds and estimated use of 2015 Offering	Variance
Sources:	(Cdn\$)		
Net proceeds of the Offering	\$21,549,000	\$24,866,000	\$3,317,000

Total:	\$21,549,000	\$24,866,000	\$3,317,000
Uses:			
Use of cash for product development and content	\$7,700,000	\$7,700,000	-
Use of cash for sales and marketing	\$7,100,000	\$7,100,000	-
Balance for working capital and general corporate purposes	\$6,749,000	\$10,066,000	\$3,317,000
Total:	\$21,549,000	\$24,866,000	\$3,317,000

Consistent with the disclosures made in the 2015 Offering Prospectus, the increase in net proceeds resulting from the exercise of the over-allotment option was allocated to working capital and general corporate purposes.

Other than the increased funds for working capital and general corporate purposes disclosed above, to date, there have been no material variances in the estimated use of proceeds from the disclosures made in the 2015 Offering Prospectus.

Commitments

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

theScore has the following firm commitments under agreements:

(in thousands of Canadian dollars)

	Not later than one year	Later than one year and not later than five years	Later than five years	Total
Content	\$ 234	-	-	\$ 234
Office lease	859	2,805	2,027	5,691
Total	\$ 1,093	\$ 2,805	\$ 2,027	\$ 5,925

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.

Related Party Transactions

In Fiscal 2013, theScore entered into a lease for a property partially owned by John Levy, the Chairman and Chief Executive Officer of the Company. The aggregate rent paid during the three months ended November 30, 2015 and 2014 amounted to \$8,000 and \$8,000, respectively.

The corresponding payable balances as at November 30, 2015 and August 31, 2015 were nil.

These transactions are recorded at the exchange amount, being the amount agreed upon between the parties. Management believes that the terms of the agreement are at fair market value.

New standards, interpretations and amendments not yet effective:

The following new standards, interpretations and amendments, which are not yet mandatorily effective and have not been adopted early in these consolidated financial statements, will or may have an effect on the Company's future financial statements:

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.

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

IFRS 9 replaces the guidance in International Accounting Standard ("IAS") 39, Financial Instruments - Recognition and Measurement ("IAS 39"), on the classification and measurement of financial assets. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortised cost; or
- financial assets measured at fair value.

Gains and losses on re-measurement of financial assets measured at fair value will be recognised in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income

("OCI"). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date. IFRS 9 also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management.

The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. The extent of the impact of adoption of the amendments has not yet been determined.

Annual Improvements to IFRS:

On September 25, 2014, the International Accounting Standards Board ("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 IFRSs would also apply. The extent of the impact of adoption of the amendments has not yet been determined.

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 IFRSs. The standard requires revenue to be recognised 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. Recognise 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 currently 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.

IFRS 16, Leases ("IFRS 16"):

On January 13, 2016 the IASB issued IFRS 16 which supersedes existing standards and interpretations under IAS 17, Leases. IFRS 16 requires all leases, including financing and operating to be reported on a Company's balance sheet. The new standard will provide greater transparency on companies' lease assets and liabilities. The amendments will apply for annual periods beginning on January 1, 2019. Earlier application is permitted provided the Company has adopted IFRS 15. The extent of the impact of adoption of the amendments has not yet been determined.

Financial Instruments and other instruments:

The Company's financial instruments were comprised of the following as at November 30, 2015: cash and cash equivalents of \$24.8 million; accounts receivable of \$6.5 million; and accounts payable and accrued liabilities \$3.7 million. The Company invested its cash equivalents in government treasury bills. Accounts receivable are carried at amortized cost. Accounts payable and accrued liabilities are carried at amortized cost, and are comprised of short-term obligations owing to suppliers relative to the Company's operations.

Fair Value

Fair value is the estimated amount that the Company would pay or receive to dispose of financial instruments in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

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 \$760,000 at November 30, 2015 (2014 - \$760,000), 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.

Concentration of Accounts Receivable

As at November 30, 2015, one customer had accounts receivable balances exceeding 10% of total accounts receivable (August 31, 2015 – two customers). This customer comprised 19% of total accounts receivable as at November 30, 2015 (August 31, 2015 – two customers represented 12% each).

During the three month period ended November 30, 2015, there were sales to one customer that exceeded 10% of total revenue (three months ended November 30, 2014 – two customers). For the three months ended November 30, 2015, concentration of the one customer comprised 26% of total revenue (three months ended November 30, 2014 – two customers represented 16% and 22% of revenue, respectively).