# Q3 – 2017
# Condensed Consolidated Interim Financial Statements
# For the Three and Nine Months Ended
# May 31, 2017 and May 31, 2016
# (Unaudited)

**theScore, Inc.**

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

(unaudited)

| | May 31, 2017 | August 31, 2016 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents (note 8) | $ 12,688 | $ 15,554 |
| Accounts receivable | 6,711 | 5,326 |
| Tax credits recoverable (note 6) | - | 5,192 |
| Prepaid expenses and deposits | 1,112 | 1,008 |
| | 20,511 | 27,080 |
| Non-current assets: | | |
| Property and equipment (note 3) | 1,892 | 2,141 |
| Intangible assets (note 4) | 6,231 | 5,807 |
| Investment (note 13) | - | 760 |
| Tax credits recoverable (note 6) | 1,616 | 1,616 |
| | 9,739 | 10,324 |
| Total assets | $ 30,250 | $ 37,404 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 3,138 | $ 5,180 |
| Non-current liabilities: | | |
| Deferred lease obligation | 499 | 495 |
| Shareholders' equity | 26,613 | 31,729 |
| Commitments (note 9) | | |
| Total liabilities and shareholders' equity | $ 30,250 | $ 37,404 |

See accompanying notes to condensed consolidated interim financial statements

**theScore, Inc.**
Condensed Consolidated Interim Statements of Comprehensive Loss
Three and nine months ended May 31, 2017 and May 31, 2016
(in thousands of Canadian dollars, except per share amounts)
(unaudited)

| | Three months ended, | | Nine months ended, | |
|---|---|---|---|---|
| | May 31, 2017 | May 31, 2016 | May 31, 2017 | May 31, 2016 |
| Revenue (note 11) | $ 6,357 | $ 6,125 | $ 21,596 | $ 18,930 |
| Operating expenses: | | | | |
| Personnel | 4,084 | 4,558 | 13,222 | 13,577 |
| Content | 391 | 726 | 1,394 | 1,890 |
| Technology | 610 | 482 | 1,889 | 1,590 |
| Facilities, administrative and other | 1,566 | 1,619 | 4,741 | 5,119 |
| Marketing | 1,000 | 1,383 | 2,954 | 4,430 |
| Depreciation of property and equipment (note 3) | 121 | 166 | 358 | 473 |
| Amortization of intangible assets (note 4) | 799 | 1,149 | 1,786 | 2,649 |
| Stock based compensation (note 10) | 192 | 338 | 656 | 896 |
| | 8,763 | 10,421 | 27,000 | 30,624 |
| Operating loss | (2,406) | (4,296) | (5,405) | (11,694) |
| Finance expense (income), net | (239) | 150 | (346) | 3 |
| Impairment of investment (note 13) | 760 | - | 760 | - |
| Net and comprehensive loss | $ (2,927) | $ (4,446) | $ (5,819) | $ (11,697) |
| Loss per share - basic and diluted (note 12) | $ (0.01) | $ (0.02) | $ (0.02) | $ (0.04) |

See accompanying notes to condensed consolidated interim financial statements

**theScore, Inc.**
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
Nine months ended May 31, 2017 and May 31, 2016
(in thousands of Canadian dollars, except share amounts)
(unaudited)

| | Special Voting Shares | | Class A Subordinate Voting Shares | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Number of Shares | Amount | Number of Shares | Contributed Surplus | Warrants | Retained Deficit | Total Shareholders' Equity |
| Balance August 31, 2015 | $ 15 | 5,566 | $ 68,216 | 294,807,771 | $ 1,346 | $ 1,229 | $ (23,420) | $47,386 |
| Net and comprehensive loss | - | - | - | - | - | - | (11,697) | (11,697) |
| Share-based compensation expense (note 10) | - | - | - | - | 896 | - | - | 896 |
| Shares issued on exercise of stock options | - | - | 121 | 504,178 | (42) | - | - | 79 |
| Balance May 31, 2016 | $ 15 | 5,566 | $ 68,337 | 295,311,949 | $ 2,200 | $ 1,229 | $ (35,117) | $ 36,664 |
| Balance August 31, 2016 | $ 15 | 5,566 | $ 68,349 | 295,362,784 | $ 2,419 | $ 1,229 | $ (40,283) | $ 31,729 |
| Net and comprehensive loss | - | - | - | - | - | - | (5,819) | (5,819) |
| Share-based compensation expense (note 10) | - | - | - | - | 656 | - | - | 656 |
| Shares issued on exercise of stock options | - | - | 72 | 312,500 | (25) | - | - | 47 |
| Balance May 31, 2017 | $ 15 | 5,566 | $ 68,421 | 295,675,284 | $ 3,050 | $ 1,229 | $ (46,102) | $ 26,613 |

See accompanying notes to condensed consolidated interim financial statements

**theScore, Inc.**

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

(unaudited)

| | Nine months ended May 31, 2017 | Nine months ended May 31, 2016 |
|---|---|---|
| Cash flows used in operating activities | | |
| Net and comprehensive loss | $ (5,819) | $ (11,697) |
| Adjustments for: | | |
| Depreciation and amortization | 2,144 | 3,122 |
| Stock based compensation (note 10) | 656 | 896 |
| Impairment of investment (note 13) | 760 | - |
| | (2,259) | (7,679) |
| Change in non-cash operating assets and liabilities: | | |
| Accounts receivable | (1,385) | (2,398) |
| Tax credits recoverable | 3,061 | (159) |
| Prepaid expenses and deposits | (104) | 1 |
| Accounts payable and accrued liabilities | (2,042) | 135 |
| Deferred lease obligation | 4 | (16) |
| | (466) | (2,437) |
| Net cash used in operating activities | (2,725) | (10,116) |
| Cash flows from financing activities | | |
| Exercise of stock options | 47 | 79 |
| Net cash from financing activities | 47 | 79 |
| Cash flows used in investing activities | | |
| Additions of property and equipment (note 3) | (109) | (548) |
| Tax credits recoverable | 2,131 | - |
| Additions of intangible assets (note 4) | (2,210) | (1,777) |
| Net cash used in investing activities | (188) | (2,325) |
| Decrease in cash and cash equivalents | (2,866) | (12,362) |
| Cash and cash equivalents, beginning of period | 15,554 | 31,841 |
| Cash and cash equivalents, end of period | $ 12,688 | $ 19,479 |

See accompanying notes to condensed consolidated interim financial statements

## 1. Nature of operations:

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 and theScore esports. 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.

## 2. Significant accounting policies:

Basis of presentation and statement of compliance:

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) using International Accounting Standard 34, Interim Financial Reporting and using the same accounting policies and methods of computation theScore applied in its consolidated financial statements as at and for the year ended August 31, 2016. These accounting policies are disclosed in note 2 of theScore’s annual consolidated financial statements for the year ended August 31, 2016.

The notes presented in these interim financial statements include only significant changes and transactions occurring since August 31, 2016, and do not include all disclosures required by IFRS for annual financial statements. These interim financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended August 31, 2016.

These interim financial statements are presented in Canadian dollars, which is theScore's functional currency, and have been prepared primarily using the historical cost basis.

These interim financial statements were approved by the Board of Directors of theScore on July 25, 2017.

(In thousands of Canadian dollars, unless otherwise stated)

## 3. Property and equipment:

| | Computer equipment | Leasehold improvements | Office equipment | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance, August 31, 2016 | 1,716 | 1,964 | 866 | 4,546 |
| Additions | 48 | 11 | 50 | 109 |
| Balance, May 31, 2017 | $1,764 | $ 1,975 | $ 916 | $ 4,655 |
| **Accumulated depreciation** | | | | |
| Balance, August 31, 2016 | 1,063 | 926 | 416 | 2,405 |
| Depreciation | 154 | 131 | 73 | 358 |
| Balance, May 31, 2017 | $1,217 | $ 1,057 | $ 489 | $ 2,763 |
| **Carrying amounts** | | | | |
| Balance, August 31, 2016 | $ 653 | $ 1,038 | $ 450 | $ 2,141 |
| Balance, May 31, 2017 | $ 547 | $ 918 | $ 427 | $ 1,892 |

(In thousands of Canadian dollars, unless otherwise stated)

### 4. Intangible assets:

| | Product development | Trademarks & domain names | Computer software | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance, August 31, 2016 | $17,572 | $ 355 | $ 1,173 | $ 19,100 |
| Additions | 2,176 | - | 34 | 2,210 |
| Balance, May 31, 2017 | $19,748 | $ 355 | $ 1,207 | $ 21,310 |
| **Accumulated amortization** | | | | |
| Balance, August 31, 2016 | $12,017 | $ 112 | $ 1,164 | $ 13,293 |
| Amortization | 1,737 | 27 | 22 | 1,786 |
| Balance, May 31, 2017 | $13,754 | $ 139 | $ 1,186 | $ 15,079 |
| **Carrying amounts** | | | | |
| Balance, August 31, 2016 | $ 5,555 | $ 243 | $ 10 | $ 5,807 |
| Balance, May 31, 2017 | $ 5,994 | $ 216 | $ 21 | $ 6,231 |

The Company presented the digital media tax credits received in the condensed consolidated statement of cash flows as either operating or investing activities depending upon their initial accounting treatment.

## 4. Intangible assets (continued):

During the three and nine months ended May 31, 2017, the Company capitalized internal product development costs of approximately $829 and $2,176, respectively (2016 - $622 and $1,493, inclusive of tax credits recoverable as a result of accrual adjustments of nil and $256, respectively). The significant development projects for the nine month period ended May 31, 2017 consisted of the expansion of league coverage for theScore's chatbot platform, the addition of data visualizations in theScore's esports mobile application, the addition of scores and data to theScore's esports website, and new data and news features for theScore application.

## 5. Related party transactions:

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 three and nine months ended May 31, 2017 amounted to $10 and $30, respectively (2016 - $10 and $28). The payable balances as at May 31, 2017 and August 31, 2016 were nil. These transactions are recorded at the exchange amount, being the amount agreed upon between the parties.

## 6. Tax credits:

As at May 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 three and nine months ended May 31, 2017.

During the three months ended May 31, 2017, the Company collected $5,198 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 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 May 31, 2017 and August 31, 2016, theScore had an allowance for doubtful accounts of $10 and $10, respectively.

At May 31, 2017 and August 31, 2016, $374 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.

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

theScore has customer concentration risk as two customers, both programmatic networks, represented 10% and 15% of revenue, respectively, for the three months ended May 31, 2017 (May 31, 2016 – one customer, a programmatic network, represented 18% of revenue). During the nine months ended May 31, 2017, two customers (both programmatic networks) represented 12% and 13%, respectively, of revenues (May 31, 2016 – one customer, a programmatic network, represented 24% of revenues). As at May 31, 2017 one customer (a programmatic network) represented 14% of the accounts receivable balance (August 31, 2016 – two customers - 12% and 11%, 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 May 31, 2017, theScore had cash and cash equivalents of $12,688 (August 31, 2016 - $15,554), accounts receivable of $6,711 (August 31, 2016 - $5,326), current tax credits recoverable of nil (August 31, 2016 - $5,192), non-current tax credits recoverable of $1,616 (August 31, 2016 - $1,616) and accounts payable and accrued liabilities to third parties of $3,138 (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.

(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.

**8. 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 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 May 31, 2017 and August 31, 2016 were $3,194 and $2,296, respectively. The Score's foreign exchange gain (loss) is included in finance expense/(income) in the condensed consolidated interim statement of comprehensive loss, and for the three and nine months ended May 31, 2017 was $113 and $208, respectively (2016 - $(166) and $(56), 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.

(In thousands of Canadian dollars, unless otherwise stated)

## 8. Financial risk management (continued):

(e) Cash and cash equivalents:

| | May 31, 2017 | August 31, 2016 |
|---|---|---|
| Cash | $ 5,760 | $ 5,604 |
| Cash equivalents: | | |
| Government treasury bills and Guaranteed Investment Certificates | 6,928 | 9,950 |
| Total cash and cash equivalents | $ 12,688 | $ 15,554 |

## 9. Commitments:

The Company has no debt guarantees, off-balance sheet arrangements or long-term obligations other than the content 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 | $ 287 | $ 311 | - | $ 598 |
| Office lease | 890 | 3,809 | 567 | 5,266 |
| Total | $ 1,177 | $ 4,120 | $ 567 | $ 5,864 |

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.

(In thousands of Canadian dollars, unless otherwise stated)

## 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, 2016 | 19,270,002 | - | $ 0.25 |
| Granted | 4,095,000 | 0.21 | 0.21 |
| Cancelled | (1,009,583) | 0.18 - 0.31 | 0.27 |
| Exercised | (312,500) | 0.13 - 0.18 | 0.15 |
| Outstanding options, May 31, 2017 | 22,042,919 | | $ 0.24 |
| Options exercisable, May 31, 2017 | 14,820,529 | $ 0.13 - 0.31 | $ 0.23 |

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

| Exercise price | Options outstanding | Options exercisable | Weighted average exercise |
|---|---|---|---|
| $ 0.13 | 3,088,332 | 3,088,332 | $ 0.13 |
| 0.18 | 3,984,165 | 3,984,157 | 0.18 |
| 0.21 | 3,892,918 | 651,306 | 0.21 |
| 0.29 | 4,605,006 | 3,844,238 | 0.29 |
| 0.31 | 6,472,498 | 3,252,496 | 0.31 |
| | 22,042,919 | 14,820,529 | $ 0.23 |

(In thousands of Canadian dollars, unless otherwise stated)

**10. Stock based compensation (continued):**

As at May 31, 2017, the weighted average remaining contractual life of the options exercisable and outstanding is estimated to be 1.87 and 2.31 years, respectively. The estimated fair value of options granted during the nine months ended May 31, 2017 and May 31, 2016 was determined on the date of grant using the Black-Scholes option pricing model with the following assumptions

| | Nine Months Ended, | |
|---|---|---|
| | May 31, 2017 | May 31, 2016 |
| Fair value of options | $0.09-0.16 | $0.15-0.27 |
| Exercise price | $0.21 | $0.31 |
| 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 three and nine months ended May 31, 2017, share-based compensation recorded in connection with stock options issued by theScore was $192 and $656, respectively (2016 - $338 and $896).

(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 three and nine months ended May 31, 2017, theScore recorded an expense of $125 and $379, respectively, as part of personnel expenses, relating to its participating employees in the SPP (2016 - $111 and $333).

(In thousands of Canadian dollars, unless otherwise stated)

## 11. Revenue:

Revenue from Canadian sources for the three and nine months ended May 31, 2017 was $2,765 and $7,241, respectively (2016 - $1,946 and $5,104), while revenue from non-Canadian sources (predominantly USA) for the same period was $3,592 and $14,355, respectively (2016 - $4,179 and $13,826).

## 12. Basic and diluted loss per share:

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

| | Three months ended, | | Nine months ended, | |
|---|---|---|---|---|
| | May 31, 2017 | May 31, 2016 | May 31, 2017 | May 31, 2016 |
| Net loss attributable to shareholders - basic and diluted | $ (2,927) | $ (4,445) | $ (5,818) | $ (11,697) |
| Weighted average shares outstanding – basic and diluted | 295,650,283 | 295,306,604 | 295,539,981 | 295,137,688 |
| Loss per share - basic and diluted | $ (0.01) | $ (0.02) | $ (0.02) | $ (0.04) |

During the three and nine months ended May 31, 2017 and May 31, 2016 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.

As at May 31, 2017, there were 19.78 million Class A share purchase warrants and 700,000 broker warrants outstanding.

## 13. Investment

Subsequent to period end, the Company entered into an agreement to dispose of its investment for nominal proceeds in connection with the sale of the company. As a result, the Company recorded an impairment loss of $760 due to a decrease in fair value during the period.