Score Media and Gaming Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Year ended August 31, 2019 and 2018

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of Score Media and Gaming Inc. (formerly known as theScore Inc.)("theScore" or the "Company") and our financial performance for the year ended August 31, 2019. The MD&A should be read in conjunction with theScore's consolidated Financial Statements for the years ended August 31, 2019 and 2018 and notes thereto. The financial information presented herein has been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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. This MD&A reflects information as of October 23, 2019.

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of theScore, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. Forward looking information typically contains statements with words such as ''anticipate'', ''believe'', ''expect'', ''plan'', ''estimate'', "intend'', ''will'', ''may'', ''should", "would", "could" 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. These statements reflect theScore's current views regarding future events and operating performance, are based on information currently available to theScore, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of theScore to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements.

The principal factors, assumptions and risks that theScore made or took into account in the preparation of these forward-looking statements include: regulation of gaming industry, continued support of banks and payment processors, losses with respect to individual events or betting outcomes, competition in the online and mobile sports betting and media industry, regulatory investigations, market access limitations, shareholders subject to extensive governmental regulation, social responsibility concerns, reliance of digital sports media industry on mobile advertising, the history of operating losses and negative cash flows, liquidity risks, dependence on key suppliers, mobile device users may choose not to allow advertising, limited long-term agreements with advertisers that could affect future revenue streams, substantial capital requirements to carry out business objectives, the ability to protect intellectual property rights, the risk of infringement of intellectual property rights owned by others, maintenance and enhancement of “theScore” brand, dependence on key personnel and employees, the ability to adapt to rapid technology development, defects in products, real or perceived inaccuracies in key performance metrics, restrictions on the collection, storage, retention, transmission and use of user data, reliance on collaborative partners to provide services and to develop and commercialize products or services, the ability to expand products into new business areas or new geographic markets, risks associated with the fantasy sports business, growth-related risks, capacity constraints and pressure on our internal systems and controls, information technology defects, reliance on third-party owned communication networks, uncertain economic health of the wider economy, government regulation of the internet in Canada, the United States and other jurisdictions, currency fluctuations, changes in taxation, exposure to taxable presences, risk of litigation, internal controls, credit risk, the use of free and open source software, the control exerted by Mr. John Levy over voting shares of theScore, variability in the market price and trading of theScore’s Class A subordinate voting shares, debt obligations will have a priority over Class A subordinate voting shares in the event of a liquidation, dissolution or wind-up, dividend policy, the impact of a sale or potential sale of a large number of Class A subordinate voting shares by existing shareholders and potential risk of shareholder dilution, which are all discussed in theScore’s Annual Information Form dated October 23, 2019, which is filed on SEDAR and available at www.sedar.com.

Additional factors are discussed under the heading "Risk Factors" in theScore’s Annual Information Form as filed with securities regulatory authorities in Canada and available on SEDAR at www.sedar.com and elsewhere in documents that theScore files from time to time with securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results could differ materially from the expectations expressed in these forward-looking statements. theScore does not intend, and does not assume any obligation, to update these forward-looking statements except as required by applicable law or regulatory requirements.

The Company

Score Media and Gaming Inc. empowers millions of sports fans through our digital media and sports betting products. Our sports scores and news app ‘theScore’ is one of the most popular in North America, delivering fans highly personalized live scores, news, stats, and betting information from their favorite teams, leagues, and players. Our mobile sports betting app ‘theScore Bet’ delivers an immersive and holistic mobile sports betting experience. Natively built for iOS and Android devices, theScore Bet is deeply integrated with theScore’s media app and is currently available to place wagers in New Jersey. Publicly traded on the TSX Venture Exchange (SCR.TO), we also create and distribute innovative digital content through our web, social and esports platforms. The Company is organized and operates as one operating segment for the purpose of making operating decisions and assessing performance. At August 31, 2019 Score had 5,566 special voting shares, 356,829,448 Class A shares and 28,301,249 options outstanding.

Selected Annual Financial Data

The following is selected financial data of theScore for each of the years in the three year period ended August 31, 2019. theScore utilizes the non-IFRS measure of earnings before interest, taxes, depreciation and amortization ("EBITDA") to measure operating performance (see "EBITDA loss" below).

	Year ended August 31,		
	2019	2018	2017
Statements of comprehensive loss data			
Revenue	$31,121	$27,743	$26,348
EBITDA loss	(6,494)	(2,382)	(5,915)
Net loss	(9,413)	(5,914)	(9,236)
Loss per share - basic and diluted	$(0.03)	$(0.02)	$(0.03)
Statements of financial position data			
Total assets	$38,680	$22,407	$26,267
Dividends paid	nil	nil	nil

Revenue

Revenues for the three months ended August 31, 2019 and 2018 were $6.4 million and $5.1 million, respectively. Revenues for the year ended August 31, 2019 and 2018 were $31.1 million and $27.7 million, respectively. Higher sales in the year were a result of increased direct sales for both Canada and the U.S. theScore recognizes advertising revenue based on the sale and delivery of advertising impressions on its digital media platforms.

For the three months ended August 31, 2019 and 2018 revenue from Canadian sources were $2.7 million and $2.0 million, respectively, while revenue from non-Canadian sources (predominately the U.S.) for the same period was $3.7 million and $3.1 million, respectively. For the year ended August 31, 2019 and 2018 revenue from Canadian sources was $13.1 million and $10.2 million, respectively, while revenue from non-Canadian sources (predominately the U.S.) for the same period was $18.0 million and $17.5 million, respectively.

Total average monthly user sessions of theScore mobile app on iOS and Android was 272 million in Q4 F2019, or 75 sessions-per-user per-month on a base of 3.6 million average monthly app users*.

Operating Expenses
(in thousands of Canadian dollars)

	Three months ended		Year ended	
	August 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Personnel	$ 4,647	$ 3,563	$ 18,818	$ 16,212
Content	643	478	2,109	1,771
Technology	767	668	3,014	2,906
Facilities, administrative, and other	3,701	2,042	10,641	6,200
Marketing	698	563	2,472	2,490
Depreciation of equipment	105	107	396	418
Amortization of intangible assets	620	748	2,721	3,391
Stock based compensation	100	134	561	546
	$ 11,281	$ 8,303	$ 40,732	$ 33,934

Operating expenses for the three month period ended August 31, 2019 were $11.3 million compared to $8.3 million in the same period of the prior year, an increase of $3.0 million. Operating expenses for the year ended August 31, 2019 were $40.7 million compared to $33.9 million in the same period of the prior year, an increase of $6.8 million.

Personnel expenses for the three month period ended August 31, 2019 were $4.6 million compared to $3.6 million in the same period of the prior year, an increase of $1.0 million. Personnel expenses for the year ended August 31, 2019 were $18.8 million compared to $16.2 million in the same period of the prior year, an increase of $2.6 million. The increase for the three months and year ended August 31, 2019 was due to growth in the number of full time employees to support the Company's entry into the sports betting business. Full time personnel as at August 31, 2019 were 210 compared to 192 as at August 31, 2018.

Content expenses for the three month period ended August 31, 2019 were $0.6 million compared to $0.5 million in the same period of the prior year, an increase of $0.1 million. Content expenses for the year ended August 31, 2019 were $2.1 million compared to $1.8 million in the same period of the prior year, an increase of $0.3 million. This increase is primarily the result of higher fees related to content support costs.

* User metrics refer to audience and engagement numbers for theScore app on iOS and Android.

Technology expenses for the three month period ended August 31, 2019 were $0.8 million compared to $0.7 million in the same period of the prior year an increase of $0.1 million. Technology expenses for the year ended August 31, 2019 were $3.0 million compared to $2.9 million in the same period of the prior year an increase of $0.1 million.

Facilities, administrative and other expenses for the three month period ended August 31, 2019 were $3.7 million compared to $2.0 million in the same period of the prior year, an increase of $1.7 million. Facilities, administrative and other expenses for the year ended August 31, 2019 were $10.6 million compared to $6.2 million in the same period of the prior year, an increase of $4.4 million. Increases were principally a result of higher professional fees and gaming-related business development expenses compared to the prior year.

Marketing expenses for the three month period ended August 31, 2019 were $0.7 million compared to $0.6 million in the same period of the prior year, an increase of $0.1 million. Marketing expenses for the year ended August 31, 2019 were $2.5 million consistent with the same period in the prior year.

Depreciation of property and equipment for the three month period ended August 31, 2019 was $0.1 million consistent with the same period of the prior year. Depreciation of property and equipment for the year ended August 31, 2019 was $0.4 million consistent with the same period of the prior year.

Amortization expense for the three month period ended August 31, 2019 was $0.6 million compared to $0.7 million in the same period of the prior year, a decrease of $0.1 million. Amortization expense for the year ended August 31, 2019 was $2.7 million compared to $3.4 million in the same period of the prior year, a decrease of $0.7 million. Decreases were mainly due to accelerated amortization of certain eSports intangibles in the prior year.

Stock based compensation expense for the three month period ended August 31, 2019 was $0.1 million consistent with the same period of the prior year. Stock based compensation expense for the year ended August 31, 2019 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 Ontario Interactive Digital Media Tax Credits ("OIDMTC")

As at August 31, 2019, tax credits recoverable of $1.6 million are included in tax credits recoverable non-current, in the consolidated statements of financial position (August 31, 2018 - $1.6 million non-current). Tax credits recoverable reflect management's best estimate of credits that are reasonably assured of realization considering 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, 2019 and 2018.

EBITDA and Net and Comprehensive losses

theScore utilizes earnings before interest, taxes, depreciation and amortization ("EBITDA") to measure operating performance. theScore's definition of EBITDA excludes depreciation and amortization, finance (income) expense and income taxes which in theScore's view do not adequately reflect its core operating results. EBITDA is used in the determination of short-term incentive compensation for all senior management personnel.

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. 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 loss to EBITDA:
(in thousands of Canadian dollars)

	Three Months Ended		Year ended	
	August 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Net loss for the period	$ (4,845)	$ (3,137)	$ (9,413)	$ (5,914)
Adjustments:				
Depreciation and amortization	725	857	3,117	3,809
Finance (income) expense, net	(29)	(71)	(198)	(277)
EBITDA	$ (4,149)	$ (2,351)	$ (6,494)	$ (2,382)

EBITDA loss for the three month period ended August 31, 2019 was $4.1 million compared to $2.4 million in the same period in the prior year, an increase of $1.7 million. EBITDA loss for the year ended August 31, 2019 was $6.5 million compared to EBITDA loss of $2.4 million in the same period in the prior year, an increase of $4.1 million.

Net loss for the three month period ended August 31, 2019 was $4.8 million compared to a loss of $3.1 million in the same period in the prior year, an increase of $1.7 million. Net loss for the year ended August 31, 2019 was $9.4 million compared to a loss of $5.9 million in the same period in the prior year, an increase of $3.5 million.

Loss per share for the year ended August 31, 2019 was $0.03 compared to loss per share of $0.02 in the same period in the prior year

Additions to Intangible Assets

During the year ended August 31, 2019, the Company capitalized internal product development costs of $3.8 million (August 31, 2018 - $3.1 million). The significant development projects for the year ended August 31, 2019 consisted of private chat, Follow Together, as well as new features including a betting data section and a website widget. The Company has continued developing significant new enhancements to its core technology infrastructure as well as development of its sports betting app and related systems and services.

The Company capitalized internal product development costs during the years ended August 31, 2019 and 2018 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 sports betting revenue and 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 August 31, 2019.

Quarterly Results	**Revenue**	**EBITDA**	**Net income (loss)**	**Income (loss) per share – basic and diluted**
	($000's)	**($000's)**	**($000's)**	**($)**
August 31, 2019	6,407	(4,149)	(4,845)	(0.01)
May 31, 2019	8,463	(1,120)	(1,727)	(0.01)
February 28, 2019	6,776	(2,189)	(3,004)	(0.01)
November 30, 2018	9,475	964	163	0.00
August 31, 2018	5,099	(2,351)	(3,137)	(0.01)
May 31, 2018	7,194	(44)	(894)	(0.00)
February 28, 2018	7,099	(518)	(1,623)	(0.01)
November 30, 2017	8,351	531	(260)	(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 fiscal quarter ended November 30 is typically the strongest from a revenue perspective.

Quarterly revenue fluctuations are a combination of the seasonality trend of usage described above and the market for digital media advertising in Canada and the United States.

EBITDA income (loss) and net income (loss) fluctuations are due to changes in discretionary marketing spend, personnel, costs related to the sports betting business and infrastructure costs, and seasonal revenue fluctuations.

Liquidity Risk and Capital Resources

Cash and cash equivalents as of August 31, 2019 were $4.0 million compared to $6.3 million as of fiscal year ended August 31, 2018. The company also holds restricted cash related to customer deposits on the betting platform of $0.7 million.

Liquidity

Liquidity risk is the risk that theScore will not be able to meet its financial obligations as they fall due. As at August 31, 2019, theScore had cash and cash equivalents of $4.0 million (August 31, 2018 - $6.3 million), restricted cash related to customer deposits on the betting platform of $0.7 million (August 31, 2018 - nil), accounts receivable of $7.9 million (August 31, 2018 - $5.8 million), non-current tax credits recoverable of $1.6 million (August 31, 2018 - $1.6 million) and accounts payable and accrued liabilities to third parties of $7.1 million (August 31, 2018 - $3.7 million). Accounts payable and accrued liabilities have contracted maturities of less than twelve 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 business. theScore can utilize its cash and cash equivalents to fund its operating and development expenditures.

The Company has available a $5 million demand credit facility with a Canadian chartered bank. The credit facility is available for working capital purposes and the amount available is based on a percentage of the Company's accounts receivable and those of certain of its subsidiaries. The facility is secured by substantially all of the assets of the Company and certain of its subsidiaries.

The credit facility bears an interest rate at the lenders Prime rate plus 1.00% per annum. The credit facility is repayable on demand and is subject to certain financial covenants as of August 31, 2019 the amount drawn on the facility is nil.

While theScore can utilize its cash, cash equivalents and demand credit facility to fund its operating and development expenditures, it does not have access to 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.

Operations

Cash flows used in operating activities for the year ended August 31, 2019 were $5.4 million compared to $0.8 million in the same period of the prior year. The increase in cash flows used in operations was primarily a result of increases in operating expenses.

Financing

Cash flows provided by financing activities for the year ended August 31, 2019 was $21.8 million compared to $0.3 million in the same period in the prior year. On November 6, 2018 theScore closed a non-brokered private placement offering of 36,956,522 million Class A subordinate voting shares at a price per share of $0.23 for net proceeds of $8.5 million. On August 9, 2019 theScore closed a private placement offering of 22,222,223 Class A shares at a price per share of $0.59 for net proceeds of $13.2 million.

Investing

Cash used in investing activities for the year ended August 31, 2019 was $18.7 million compared to $3.2 million in the same period in the prior year. The increase in cash used in investing activities was due to higher capitalized internal salaries and payments in respect of gaming rights, market access licenses and licenses under development, and certain capitalized expenses in connection with the Company's sports betting business.

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:

(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
Leases	$ 972	$ 2,027	$ -	$ 2,999
Other contractual agreements	6,975	15,446	1,300	23,721
Total	$ 7,947	$ 17,473	$ 1,300	$ 26,720

The Company has entered into several new agreements relating to its sports betting business which has increased future contractual commitments.

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

Entities controlled and directed by theScore's Chairman and Chief Executive Officer and a director of theScore participated in the private placement that closed on November 6, 2018 purchasing 13,043,481 and 13,043,478 shares respectively. An entity controlled and directed by theScore's Chairman and Chief Executive Officer participated in the private placement that closed on August 9, 2019 purchasing 2,222,222 shares.

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 year ended August 31, 2019 amounted to $40,000. (2018 - $40,000). The corresponding payable balances as at August 31, 2019 and August 31, 2018 were nil. These transactions are recorded at the exchange amount, being the amount agreed upon between the parties.

Financial Instruments and other instruments:

theScore does not have any financial instruments, other than its cash and cash-equivalents, accounts receivable and accounts payable. The Company's financial instruments were comprised of the following as at August 31, 2019; cash and cash equivalents of $4.0 million; restricted cash related to customer deposits on the betting platform of $0.7 million; accounts receivable of $7.9 million; and accounts payable and accrued liabilities $7.3 million. The Company invested its cash equivalents in government treasury bills and guaranteed investment certificates. Accounts receivable are carried at amortized cost. Accounts payable and accrued liabilities are carried at amortized cost, and are primarily comprised of short-term obligations owing to suppliers related 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 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.

Customer concentration

As at August 31, 2019, the Company had an accounts receivable balance from a media agency exceeding 10% of total accounts receivable (August 31, 2018 – two customers). Concentration of this customer represented 19% of total accounts receivable balance (August 31, 2018 – 30%).

For the year ended August 31, 2019, sales to one customer, a programmatic network exceeded 10% of total revenue (year ended August 31, 2018 – two programmatic networks). For the year ended August 31, 2019, concentration of this customer comprised 10% of total revenue (year ended August 31, 2018 – 12% and 12% respectively).

Recent standards and amendments effective September 1, 2018:

(a) IFRS 9, Financial Instruments ("IFRS 9"):
In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes International Accounting Standard ("IAS") 39, Financial Instruments: recognition and measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company adopted IFRS 9 on September 1, 2018, which replaces IAS 39.

(i) Classification of financial assets and liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard replaces the previous classification categories of held to maturity, loans and receivables, and available for sale under IAS 39. The two principal classification categories for financial liabilities under IFRS 9 are amortized cost, and FVTPL.

The adoption of the IFRS 9 has not had a significant impact on the Company's accounting policies for financial assets and financial liabilities.

(ii) Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model applies to financial assets carried at amortized cost and contract assets. The adoption of the new ECL impairment model has not had a significant

impact on the Company's measurement of impairment losses or on its financial assets carried at amortized cost and contract assets.

(iii) Transition

As a result of the adoption of IFRS 9, there was no impact on deficit as at the date of adoption of September 1, 2018. In making this determination, we note that changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

(iv) Classification of financial assets and liabilities on the date of initial application of IFRS 9.

The following table shows the original measurement categories under IAS 39 and the new classification and measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at September 1, 2018.

	Original classification under IAS 39	New classification under IFRS 9
Financial assets:		
Cash and cash equivalents	Designated as FVTPL	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Financial liabilities:		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

The application of IFRS 9 resulted in the classifications as set out in the table above.

Accounts receivable that were classified as loans and receivables under IAS 39 are now classified and measured at amortized cost. There was no change in the carrying amount of accounts receivable on the date of adoption of IFRS 9 as a result of the change in classification.

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

IFRS 15 supersedes previous accounting standards for revenue, including IAS 18, Revenue, and International Financial Reporting Interpretations Committee 13, Customer Loyalty Programme. IFRS 15 introduced a single model for recognizing revenue from contracts with customers.

This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRS.

The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. The Company has adopted IFRS 15 in its consolidated financial statements for the annual period beginning on September 1, 2018. The application of this new standard has no significant impact on the Company's reported results with regards to the timing of recognition and classification of revenue, and the treatment of costs incurred in acquiring customer contracts. Further, the application of IFRS 15 does not affect the Company's cash flows from operations or the methods and underlying economics through which it transacts with its customers.

Recent standards and amendments not yet effective:

(a) 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 will adopt IFRS 16 in its financial statements for the annual period on September 1, 2019 using the modified retrospective approach. Comparative information will not be restated.

The Company is assessing the impact of IFRS 16 on the Company's consolidated financial statements. The Company estimated its adoption of the standard will result in an increase in right-of-use assets and corresponding lease liabilities in its consolidated statement of financial position, primarily related to the leased office premises. In addition, IFRS 16 replaces the straight-line operating lease expense with depreciation charge for right-of-use asset and interest expense on lease liabilities, which will result in a decrease in operating expenses and increase in depreciation expense and increase in financing costs.

Critical accounting estimates and judgements:

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 years incurred.

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 the sports betting app as well as 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, 2019 and 2018 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 the Company 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.

(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 the Company's digital media platforms.

The Company 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.

The loss allowance for trade receivables must be calculated using the expected lifetime credit loss and recorded at the time of initial recognition.

Subsequent Events

On September 5, 2019 the Company closed a private placement with a fund managed and controlled by Fengate Asset Management (Fengate). The proceeds of the private placement will be used to fund the growth and development of the Company’s media and sports betting businesses. Fengate purchased a $40.0 million 8.00% convertible unsecured subordinated debenture of the Company, due August 31, 2024.